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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE
BRITISH COMMONWEALTH

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Report of the Inter-Imperial Relations Committee
of the Imperial Conference

MARCH

MCMXXVII

NUMBER 66

Price 5/-



THE IMPERIAL CONFERENCE

I. THE BALFOUR REPORT *

THE ninth Imperial Conference has come and gone. It was heralded in the Press of two hemispheres in every tone of hope, scepticism and apprehension; and its accomplished work has since been described in widely divergent estimates. The apprehension arose from a too ready acceptance of certain demands at their face value and from the consequent doubt whether any formula—even the most innocuous—could possibly secure the assent, let us say, of General Hertzog and Mr. Coates. The subsequent divergence of estimate was mainly a question of attitude. Those who consider only realities have accepted the estimate of *The Times*, that the Imperial Conference “has provided an agreed and authoritative picture of the Empire as it is.” And, on the other hand, those who, with a relish for “imponderables,” find greater significance in a “state of mind,” will not quarrel with the description of Lord Balfour’s Report as the Magna Charta of Commonwealth Liberties. THE ROUND TABLE, true to its function and its name, accepts both the objective and the subjective estimates as indispensable facets of one and the same truth.

“*L’Angleterre*,” says M. Henry de Jouvenel, “*a reconquis ses Dominions en les émancipant*,” or, to put it in the more controversial words of another commentator,

* For the text of the Report see page 430.

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"till there is full freedom to separate there can be no spontaneous will to remain united." These imperfect epigrams state a psychological truth which has a great political significance. They are not equally true of all parts of the Commonwealth, for each part has its own "state of mind"; but they are true, in different measure, for all, because they reveal the imminent principle—now authoritatively proclaimed—on which the whole Commonwealth rests. Equality of status has been sought and found in Dominion autonomy; and the strength of our unique constitutional structure lies in the fact that it combines the benefits of union with those of independence. The Imperial Conference of 1926 has dissolved the Downing Street "complex," and the Commonwealth is now, in very truth, a Round Table.

Now, in acknowledging gratefully that Lord Balfour and his colleagues have done good Imperial service, let us take stock of the new position, if indeed it be new. To be sure, none of the principles are new: the novelty lies in the explicit recognition of the conclusions to which they logically lead. What, then, are the essential features of this "authoritative picture of the Empire as it is"?

The British Empire is unique; it defies classification: and it bears no resemblance to any known political organisation. Its principal figures—Great Britain and the Dominions—"are autonomous Communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations."* Equality of status is thus the root principle, "but the principles of equality and similarity, appropriate to status, do not universally extend to function. Here we require something more than immutable dogmas." In other words, we must recognise facts. And the recognition of facts, in one vital region, at all events, follows at a later

* The italics are taken from the Report

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stage in the Report,* where the Conference unanimously recognises "that in this sphere (*i.e.*, foreign affairs generally), as in the sphere of defence, the *major share* of responsibility rests, and must for some time continue to rest, with His Majesty's Government in Great Britain."

These two passages, read together with the paragraph on "Negotiation,"† and with the references to the Policy of Locarno,‡ are as important as anything in the whole record of the Conference. These passages make no reference to any general and mutual obligation which might follow action under the negotiation clause, but they appear to warrant the conclusion that, though the *active* share in war rests in the unfettered discretion of each Government, the inevitable status of belligerency at times when Great Britain or any other part of the Empire is at war was, by inference at least, assumed in the Conference. Let us note that the initiative leading to war is entrusted to each and every self-governing partner in the Commonwealth as an essential function of equality of status in domestic and external affairs. It follows that, in the discharge of this virtually sovereign function, each partner in proposing to act in its own interest, ought so to act as to conserve the interests of the whole. This obligation underlies the whole accepted procedure for the negotiation of foreign treaties.

Here is unity in belligerency, accepted so to speak *in embryo*. But, since war is only the pursuit of policy by special means, the pursuit of policy *ab initio* must imply a general unity of purpose capable of definition for particular major issues. We believe that there is a real though undefined unity of purpose, and that the forces animating it are so powerful that no Dominion Government can ignore them. It is true that recent history still leaves a good deal of evidence of disunity too prominently in the foreground, but time will correct this perspective by revealing to all concerned the true character of our Imperial

* Cmd. 2,768, pp. 25-6. † Cmd. 2,768, p. 22. ‡ Cmd. 2,768, p. 28.

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relations. And it is because the Imperial Conference has described these relations in a lucid and authoritative statement that its achievement, both practically and psychologically, stands high.

Now, our unity of purpose can be stated in terms which easily command universal assent so long as they express the general philosophy of the Commonwealth. It is the descent from the general to the particular that is our difficulty. Let us consider the matter once more in the light of its most recent test. Diplomatic unity, which is only unity of purpose canalised towards an immediate aim, implies consultation and agreement as the preparation for action. The theory of our diplomatic unity held good for a while after the war, but suffered a serious reverse at Locarno. The preparation for Locarno actually entailed nothing but the supply of information to the Dominions of what Great Britain proposed to do. There was no effective consultation and no agreement. From that General Smuts drew the conclusion that, if the Locarno method became a precedent, "more and more the foreign policy of the British Government would become simply that of Great Britain." Let us acknowledge that there are grounds for this fear, and that it would be possible for the British Foreign Office to pursue a purely British policy without violating the letter of the agreed procedure now governing the negotiation of treaties. We say *possible*, but we do not believe it to be *probable*, after the object lesson of Locarno. None the less, and for some time to come, there is a very definite sense in which British foreign policy must be that of Great Britain. The British Government is involved in a tangle of questions which is the *European* legacy of the war; and much of it still lies outside the orbit of the League of Nations. With the best will in the world, Great Britain cannot disengage herself from these responsibilities; but, in playing her inevitable part, she must liberate herself from the necessity of assuming peculiar obligations which may disturb her Imperial partners.

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There thus devolves upon the British Foreign Secretary a very delicate task in the discharge of which he may sometimes appear *distrain*, as our candid friend "Pertinax" has suggested. His difficulties will be greatly lightened by an increasing resort to the League, for we are not of those who fear that the League of Nations will weaken the links of Empire; and we agree with General Smuts in the speech already quoted,* that "incidents like Locarno are far more likely than the League to sow seeds of dissension." Locarno or no Locarno, our common membership of the League is a sufficient incentive to combined action; for there are many questions on which the Empire may reasonably be expected to have a common policy. The Imperial Conference has agreed to pursue, if possible, a joint policy in the matter of Compulsory Arbitration. Moreover, the British Empire has a peculiar responsibility as a Mandatory Power, holding different kinds of mandate; and the civilised world will expect enlightened leadership from all its partners in respect of the whole mandatory system. Here is a matter of great import on which our inner unity of purpose should issue in beneficent action. But, in order that we may all see clearly where we are going, it is essential that we should take counsel with one another in something more than triennial conferences and occasional cablegrams. THE ROUND TABLE, therefore, welcomes once more Sir Robert Borden's proposal that all the Dominion and British representatives to the League should meet in London and discuss the problems of the moment before proceeding to their places in the Assembly at Geneva. But such discussion cannot be conducted *in vacuo*. It must take its natural place in a process of consultation which, for effective continuity, requires special organs of its own. We, therefore, turn to those pages of Lord Balfour's Report which deal with the "System of Communication and Consultation."

* At Pretoria, November 11, 1925.

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The Process of Consultation

In any system of communication there are two termini ; but, in the British Commonwealth there are two sets of termini : (1) London, and the capital of each Dominion ; (2) the Dominion capitals *inter se*. There is to-day no organic process of consultation by which these termini are linked ; and the Imperial Conference, recognising the defect, proposes to remedy it. Let us examine first the *status quo* in the Dominion capitals. The Governor-General is the only political representative of Great Britain, and is, therefore—or was until the other day—both Viceroy and British Agent. His functions in the latter capacity represent the last vestige of the colonial status of the oversea possessions of the Crown, and with the disappearance of that status they also disappear. Where this leaves the Governor-General we shall see in a moment. Meanwhile we are only concerned with the fact that the process of stripping him of his active political function, while strengthening the Crown in each Dominion, leaves the British Government voiceless and bereft of all effective contact with the life of the Dominions. As matters stand to-day, the Governments of the British Commonwealth, *inter se*, do not possess effective means of communication such as all foreign Powers possess in their embassies. To remedy this serious defect in Imperial organisation is the most urgent need of the moment, and the Imperial Conference recognised “ that closer personal touch should be established between Great Britain and the Dominions.” Readers of THE ROUND TABLE know that it has long foreseen this necessity, and they will welcome with us the decision to inaugurate a new system.

The details of the plan are to be settled between the Governments concerned—it being understood that the new system will not supersede, but only supplement,

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those direct communications between Governments and Prime Ministers which have been the custom since 1918. Whatever decision may be taken, we hope that the British Government in choosing their representatives and in defining their status and functions will take a large view of their importance, both in the character of the persons chosen and in the conditions of their office. In respect of their official standing, of their emoluments and staff, they should take a high place in the ranks of the servants of the Crown, for they will discharge a duty of uncommon importance. We think, moreover, that the British Government will be well advised to take a somewhat unconventional view of the public duty of these Imperial envoys by entrusting to them the task of representing the people of Great Britain as well as its Government. Ambassadors in foreign countries are hedged by a strict etiquette which confines their action to a recognised official sphere. The British Ambassador in Washington, however, has always enjoyed a wider scope, and by direct contact with the people of the United States has given his office a happy and peculiar eminence among all British missions abroad. The analogy of our Washington practice—of which Lord Bryce was *artifex maximus*—offers an example for our new representatives in the Dominions. They should be public men in the largest sense of the words, not officials, or even diplomatists *de carrière*. The duty here suggested will require tact and imagination for its effective discharge, and the prior condition of its success is that the envoy has earned and continues to enjoy the close and cordial confidence of the Dominion Government to whom he is accredited.

The counterpart of the British envoy overseas is the Dominion envoy in London and in other Imperial capitals. His status and duty should be conceived in like manner, and the political nature of his function must raise him above the present standing of the High Commissioner. It is, of course, for each Dominion to decide the relation between

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the new function and the old, but it is desirable that, both in organisation and in nomenclature, the significance of the new departure should find expression in visible and definite changes. The precise routine of duties to be performed by these British and Dominion envoys need not be discussed here in detail, for there will be occasion to examine it at a later stage in the development of the new system. We, therefore, content ourselves with the expression of extreme satisfaction at the promise of real personal contact now offered and with the hope that the appointment of our envoys will not be delayed. It is little short of absurd that Ireland and Canada should both be represented in Washington, and not (politically) in London.

The Conference noted, as a development of special interest, the appointment of Irish and Canadian Ministers in Washington; but made the significant comment that, in other cases, it was "very desirable that the existing diplomatic channels should continue to be used." Australia and New Zealand have, it appears, no intention of appointing such Ministers. It may be said that the Canadian and Irish appointments at Washington have special reasons to explain them; and that, for the time being, there is no reason to expect similar action by the other Dominions. None the less, it is probable that all the Dominion Governments will find that, as their interests and responsibilities expand, they will need first-hand knowledge of foreign conditions supplied by representatives of their own choosing. Even to-day such knowledge is desirable in an especial degree for Canada, Australia and New Zealand, in respect of China, Japan and other lands which play a part in the politics of the Pacific; while an intimate knowledge of India has an importance which will increase as time goes on.

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The Position of Governors-General

The Governor-General of each Dominion is now a Viceroy and nothing else. His appointment is now the result of agreement; and when appointed, he is no longer the agent or representative of the British Government. He exercises only the constitutional functions of the Crown; and if he were to appeal to Downing Street for advice he would be told that he possesses, in his Dominion Cabinet, the only advisers who have the right to his ear. That is the plain English of equality of status; and, despite the learned opinion of some constitutional pundits, we cannot conceive of any circumstances in which a Governor-General could act in a manner which would be unconstitutional for His Majesty the King. The Canadian crisis of 1926, for instance, showed the difficulties in which a Governor-General may find himself involved; and it is conceivable that a Governor-General might find himself in a predicament similar to that which confronted the King after the General Election of 1923 in England. "Your country calls you," said his friend to the Member for Mudshire. "Yes: but the difficulty is that different parts of the country are calling me different things." In times of political confusion it may be difficult, if not impossible, for an outgoing Prime Minister to give the Governor-General any advice regarding his successor. In an extreme emergency it might be the duty of the King to reject the unconstitutional advice of his Ministers, for the Crown is, in the last resort, the protector of the rights of the people against Parliament itself. He could, however, at such a moment always find counsellors of standing at hand to advise him with regard to his constitutional duties. It should also be open to a Governor-General in a similar predicament to obtain advice in the same way without his action being considered to show any want of respect for

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his Ministers. He is now cut off from Downing Street, and the traditions of the functions of the Crown tend to differ in different parts of the Empire, which adds to the difficulties of his position.

Within constitutional limits, as already suggested in *THE ROUND TABLE*,* the Crown is an extremely important factor in the working of our institutions, and the Viceroy of a Dominion is no more a cipher than His Majesty himself. And once it is clear that the Governor-General is not "the subaltern of Downing Street," to use Mr. Bourassa's pungent and misleading phrase, the controversy over his functions will, it is to be hoped, emerge from the passion and smoke of party conflict into a more serene atmosphere where the constitutional realities are once more taken into account.

Such, in brief outline, is the political work of the Conference. It furnishes no essential novelty, nor any real departure from known conditions—that is to say, conditions known to those who know—but it is none the less epoch-making in a high degree psychologically. As has been pointed out above, its value is sure to be interpreted in very different ways, and we shall see in later paragraphs of this article that the variants in interpretation represent something more than the difference between a serene assurance and an inferiority complex, for they arise out of real differences of Imperial conception.

Questions left for future treatment

The psychological value of the proceedings of the Conference is so great that there is little reason to regret the comparative scarcity of practical conclusions. Most of the important subjects on the Conference programme were left for more leisurely consideration by an *ad hoc* Expert Committee (*e.g.*, the operation of the Colonial Laws Validity Act, the reserving of Bills and the extra-territorial

* *THE ROUND TABLE*, No. 64, September 1926, p. 686.

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operation of Dominion legislation) : or by a Sub-Conference (e.g., Merchant Shipping Legislation). These bodies have still to be appointed, and the question of appeals to the Judicial Committee of the Privy Council was not pressed by the Irish Free State. The next three years will be usefully spent if the Imperial Conference of 1929 finds on its table competent reports by the Expert Committee and the Sub-Conference on which action can be taken or policy inaugurated. And they will be even more fruitful if the details of the new plan of communications between Government and Government, which was "left for settlement as soon as possible after the Conference," are settled now.

II. THE RECEPTION OF THE BALFOUR REPORT

THESE decisions, and more particularly the exposition of equality of status and its consequences, have been received with general satisfaction throughout the whole Commonwealth.* The British Press welcomed them and offered comments which vary from the statement of *The Times*, which we have already quoted, to the opinion of the *Daily News* that this conception of Empire is "rather startling," and that the problem is "still unsolved" whether "one part of the Empire can be at peace while another is at war." The *Manchester Guardian* considers that the Conference declarations carry with them "everything except the right of secession," and that, in South Africa, "the abandonment of the Imperial connection has ceased to be a political issue."

The Australian and New Zealand Press practically endorse the view that we have now no more than "an agreed and authoritative picture of the Empire as it is." The *Sydney Morning Herald* strikes a critical note and refuses

* The Irish, Canadian and South African articles describe the effect produced by the Report in those countries. There is also a section on the Conference in the New Zealand Article.

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"to join in the optimism which declared that 'though every Dominion is the sole judge of the extent of its co-operation, no common cause would be imperilled.'" It maintains that "Mr. Bruce . . . had set his mind against any such development . . . as this latest decision connotes." The *Adelaide Register* remarks that "the enthusiasm for equality has been most marked in the representatives of those Dominions which are least inclined to assume a fair share of the responsibility for the common security"; while the *Melbourne Herald*, describing the Balfour Report as "a documentary record of the process of evolution," says that "the declaration of status is something to which Australia can subscribe, because the status already exists."

The South African attitude is, in the main, one of approval; and it is commonly believed there that the Balfour Report has revolutionised the domestic situation. General Hertzog is credited with the chief responsibility for the proclamation of status, for without his insistence it would probably not have been made. Dr. Malan, the Union Minister of the Interior, in an interview with *Die Burger*, said that "if ever there was anything which could move us Dutch-speaking Afrikanders to identify ourselves heart and soul with the idea of remaining in the British Commonwealth of Nations, it is this declaration of the Imperial Conference." And the Prime Minister said he was no longer afraid of the word "Empire." The *Cape Times* underlined its favourable comment by printing a heading across the whole page—"Vision of a New Era in South Africa."

In Canada controversy was more pronounced. The *Montreal Gazette* said, "there can be no equality of status . . . without corresponding equality of responsibility." The *Toronto Globe*, describing the conclusions of the Imperial Conference as, not a "compromise" but a "surrender," said that they would be regarded by some as a capitulation to those elements of the populations . . . bent on loosening the bonds of the Commonwealth. Mr. Guthrie, the

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Conservative leader in the Canadian House of Commons, declared that the Resolutions of the Conference could not be accepted in their present form, but would "have to be limited, otherwise on some future day they will spell disaster to this country." The Prime Minister in reply said that status was one thing, stature another, and that Canada had not presumed to claim equal seniority in the Empire. None the less, the Conference had been epoch-making. Mr. Guthrie also urged that Canada could not have equality of status unless she also had equality of burdens and responsibilities, particularly in the matter of Empire defence.* The Premier of Quebec said that the Imperial Conference, so far from disintegrating the Empire, had cemented it, and that the link with Great Britain was more than ever necessary for the survival of French Canada. And with regard to this aspect of Canadian opinion, there are signs that the Conservatives may seek to wean Quebec from the Liberal party by endeavouring to prove that a Liberal Prime Minister has endorsed proposals which will impair the French-Canadian guarantees in the British North America Act. Canada bids fair to be the arena of most animated controversy over the whole field; for, while she has taken action which gives visible body to her quasi-sovereign status, she possesses a powerful element in her citizens that "will look in the future, as in the past, to the Motherland as the source of power and the chief inspiration of the race."

Foreign comment stresses the note of surprise; for there are not many Europeans who can appreciate our psychology as well as M. de Jouvenel in the epigram already quoted. Germans oscillate between wonder at the magnitude of our achievement and puzzlement over its refusal to conform to any known measure of constitutional propriety. The lack of institutions to give body to our Imperial sentiment seems to many of them to condemn us to eventual disruption, and the peculiarity of our inter-

* See *The Times*, February 1, 1927.

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locking Dominion sovereignties defies specification by any standard known to the human mind. The *Frankfurter Zeitung*, in an interesting article (December 12, 1926), after saying that the League of Nations ought at least to live long enough to convince the European Powers that "our chess-board of 1914 was far too small . . . and that our European land can in future be nothing more than a small group of fields in a political chess-board which covers the whole earth," describes "the League of Nations as the public platform of the world-policy of the British Empire." "The new conception of the Empire," it adds, "points the way to the practical organisation of large world complexities inside the League." The French ask how it will affect our action as a European Power. "Pertinax," in the *Echo de Paris*, is the most explicit of them in his fear that, either we may turn away from Europe, or, when there, we may seek to evade our duty and to limit our obligations to the point where we lose all value as an ally. American comment ranges from the half-truths of the one-eyed in the Kingdom of the Blind to the open adulation of the *Baltimore Sun*. The sum of a thousand transatlantic articles is a general chorus of admiration of our past achievements, which echoes the improved tone of America towards England, with a prophecy that the Empire will steadily grow less European, and that Great Britain will have to choose whether she will take her place in the purely English-speaking ring of two hundred million seeking salvation apart from Europe, or gravitate more closely to her own continent.

Conclusion

III. CONCLUSION

FOR a policy, which is still malleable and glowing on the anvil, these criticisms and doubts, fears and applause and prophecies, have a value of their own. They are as a mirror, liable sometimes to distort the truth, but suggestively revealing our features as others see them. For that purpose they are transcribed here ; and in trying to extract the truth from them, we shall probably do well to remember that some of our critics, in both hemispheres, believe that they can estimate tendencies as they would measure a current of water flowing in a pipe. There is little allowance for elasticity in their calculations, and the imponderable thus escapes their *avoirdufois*. It is precisely this imponderable that is incalculable ; but its strength is not an unknown quantity and has been put forth decisively, in times of crisis, to reveal the unity of the Empire. It is by an intuition of its really great power that men, in millions, confidently believe that "it will be all right on the night." And when it emerges in action, as in the rally of the Dominions in 1914, or in the significant intensity of the controversy in South Africa, as to whether the Union Jack is to figure in the Union flag, it is seen for what it is, the marrow of our Commonwealth unity, which no formula can imprison nor constitution express.

Now, there are many who conceive this invisible thing like the principle of fertility which must be left to operate without any process of conscious selection. But fertility only becomes clothed with meaning in offspring, and we are now face to face with the problem of the offspring from the Imperial connection. The period of irresponsible growth has passed : the period of a more deliberate purpose has begun. Translated into practical terms, this means that the Commonwealth must be something more

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than a picture of the British nations enjoying free institutions : it must show a positive purpose.

There can be no more positive aim in the modern world than the establishment of peace on new international foundations. It has often been said that peace is the greatest of British interests, and never was that truism truer than it is to-day. Only in the last resort of war can any real peril now assail the British Empire ; and, therefore, both as an insurance for our interests, and as an expression of the inner spirit of our own family relations, the League of Nations is an instrument peculiarly appropriate to our peaceful purpose. Without it, the world would be condemned to a precarious reliance on safeguards which provide no safety.

The League is a world-wide organisation, and the absence of Russia and the United States only serves to throw into bolder relief its well-nigh all-embracing character. None the less, it is not a vessel of unlimited capacity ; and to use it as a vat in which to blend all the discordant elements of the world, is to court disappointment. If it has great possibilities, it has also its limitations ; and those who recognise both aspects of its character do it no disservice. The British Commonwealth is committed, irrevocably and sincerely, to its underlying principle ; but in contemplating the magnitude and the multiplicity of the problems which are gradually being placed within its jurisdiction, we cannot fail to see that it will soon be beyond the power of any Member-State to bear a responsibility, proportionate to its power, in all the obligations which may arise. Every State will have its own geographical sense of proportion ; and if Great Britain loses hers by becoming a predominantly *European* State, she may lose her overseas perspective and strain her relations with the Dominions. She cannot help being a great World-State and must play a part in the League commensurate with her responsibilities and with her history. But the nature of her responsibilities and the lesson of her history alike warn her that no regional

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obligation should be permitted to overshadow her general mission. Her influence in Europe will be the more decisive if she confines her commitments to issues of first-rate importance which, by their very nature, are something more than a purely European concern.

A policy based on these principles should secure the willing assent of the Dominions. If properly executed it will express the spirit of Locarno, but not the method; but before it can be executed it must be conceived as the offspring of the Commonwealth as a whole, and not merely the child of Great Britain. To-day it is no more than a project, unembodied and without form; and it can only find its true embodiment through the process of organised consultation upon which the British Commonwealth ought to embark forthwith.

AMERICAN INDUSTRY AND ITS SIGNIFICANCE

I. GIANT STRIDES SINCE 1913

THE immense fact of American industrial expansion is being slowly, but forcibly, borne in upon us. As long as its fruits were practically confined to the frontiers of the United States, the European manufacturer and exporter went on his way comparatively unperturbed. He usually had little hope of surmounting the tariff anyway; and as long as the Americans kept inside their own garden wall he did not worry much about them. But the tremendous impetus given by the war purchases of the belligerents to American productivity has now introduced a new and most formidable rival into every competitive market. It is only necessary to look at the export figures of the last few years to leave no doubt on this point. In 1913 the exports of manufactured goods from the United States amounted to \$1,052,400,000, in 1923 to \$1,850,700,000, which the Board of Trade calculate as equivalent to an increase of 48 per cent. at pre-war prices* as compared with a decline of 20 per cent. in the corresponding class of British exports. Again, in 1923 the United States held 16·88 per cent. of the world's manufactured exports as against 14·03 per cent. by the United Kingdom, whereas in 1913 the position was reversed—U.K. 13·02, U.S. 12·47.† At the present time, therefore, there is no doubt

* *Survey of Overseas Markets*, p. 670.

† *Ibid.*, p. 667.

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that American production for export is considerably higher than that of the United Kingdom or of Germany. The American figures assume an even more significant complexion, however, when they are seen as representing only 8 per cent. or less of the total production of the United States. It is true, as Americans often assert, that they have not yet "begun to get into the export business." Foreign trade only represents an outlet for their surplus manufacture, whereas for us it is a basic condition of national existence. In the first six months of 1926 the United States produced 2,173,097 motor-cars, but only 143,507 went abroad—about 6.5 per cent. In the same period 154,155,000 pairs of boots and shoes were manufactured, of which 3,473,000 were exported*—a mere 2.2 per cent. What is true of these industries is true generally. American production as yet rests almost exclusively on the home market. How long this state of things will continue is impossible to foresee, but there is reason to suppose that American productive power will increase more rapidly than American consuming power. It seems inevitable that American manufacturers and merchants will turn their eyes more and more towards foreign markets, in which they will become increasingly formidable competitors.

It may seem natural enough that America with its 115 million inhabitants should produce considerably more than the United Kingdom with 44 million, especially when its vast natural resources are thrown into the scale. It is, however, somewhat startling to find that its production in manufactures is altogether disproportionate to the size of its industrial population. The U.S. Census of Occupations gives the total number of persons employed in manufacture in 1920 as 12,818,524, while 1,090,223 were engaged in the extraction of minerals. Assuming a substantial increase since that date, it may be hazarded that the manufacturing population is now about 14 millions. The

* *Survey of Current Business*, U.S. Department of Commerce, September 1926, pp. 31-34.

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British statistics for the number of insured persons in 1926 show that about 7,000,000 persons were occupied in manufacture and 1,335,000 in the extraction of minerals. Roughly speaking, therefore, the manufacturing population of the United States is about double that of Great Britain, while its mining population is actually smaller. Unfortunately, it is not possible to make any accurate comparison of total production, because whereas the United States Government publishes a biennial census of production, the Board of Trade has not published any statistics for British production since 1907. It is possible, however, to arrive at a rough estimate. The total value for 1923 of the manufactured and semi-manufactured goods of the sixteen principal industrial groups in the United States was £12,101 millions (\$60,507 millions)*; of this total, exports to the value of £894 millions went abroad, as compared with the British total for the same classes of goods of £743,500,000.† But whereas the American exports only represented less than 8 per cent. of their total production, our exports represented at least 25 per cent. of ours and probably considerably more. Taking this as a safe figure, however, it indicates a total British production to the value of about £3,000 millions,‡ as compared with the American £12,000 millions. This means that, on a very conservative estimate, the British industrial population produces only a quarter as much as the American, although it is half as big; or, in other words, the output per head in the United States is double that in this country.§

Whichever way one looks at the facts, there cannot

* *Statistical Abstract of the U.S.*, 1924, p. 726.

† *Survey of Overseas Trade*, p. 667.

‡ This rough figure, taken for the purpose of argument, errs, we believe, well on the high side, and is therefore, for this purpose, a conservative estimate.

§ Mr. J. Ellis Barker, in a comparison based on the British Census of Production of 1907 and the American Census of 1909, shows that over 26 industries the average annual output per worker was nearly three times as great in the U.S. as in the U.K. (£1,747 to £617), and the horse-power per man more than twice as great. *Economic Statesmanship*, pp. 519, 524.

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be any doubt that the American employer and the American workman somehow produce between them far more in the same time than their British competitors, and to this must be added the further fact that in many fields they do it at a cost which enables their product to compete with ours, and that in spite of wages which are usually at least double those paid in the corresponding British industry. How can it be done? This is the riddle which has drawn numerous missions of inquiry from Europe during the last few years, and among them one sent by the British Government. The importance of a thorough investigation into American conditions was pointed out in this Review some eighteen months ago,* and the report of the British Mission will be awaited with great interest. In particular, it may be hoped that, while bringing out the true facts, it will correct some of the exaggerated pictures which have been drawn of American superiority and some of the excessive depreciation of British methods and capacity which has done us a great deal of damage in the United States. While there is much we can learn from it, the American scene is not so uniformly roseate as it is frequently proclaimed by the professional panegyrists who attribute American well-being to the wisdom and virtues of the Republican party; nor is British industry so backward in the matter of organisation or of co-operation between employers and workmen as is gathered by foreign readers of our sensational Press. The bitterness and short-sightedness betrayed by both parties in the coal strike are taken by many people abroad as typical of our industrial conditions, while others at home have exalted a certain number of striking experiments in the United States into a glowing panorama of industrial peace and plenty, in which every man is happy, where wages are universally high, and where the struggle between capital and labour has been miraculously eliminated. Unhappily for the picturesqueness of life, truth is rarely highly coloured.

* THE ROUND TABLE, No. 60, September 1925, pp. 692-716.

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It normally resides modestly somewhere between two sensational extremes. A few impressions based on recent observation in the United States may serve to counter some of the more salient misconceptions about its industrial conditions, while in no way belittling the undeniable magnitude of the American achievement.

II. THE SECRET OF HIGH WAGES

FIRST of all, what is the secret of high wages ? Almost every American employer will tell you that he believes in high wages. The reasons he usually gives are that they promote high production and create a widespread purchasing power throughout the country, which has stimulated and maintained national consumption. That these results have on the whole flowed from the payment of high wages is beyond doubt. It has not been found that good money breeds slackness. It may be that the incentive to earn is greater than in Europe, because the avenues of social and material advancement are broader and the barriers between classes as yet hardly discernible. The American workman still thinks of himself as a potential employer, and the chances of a new country are still so many that no ambition is foolish in a man who has grit and brains aided with a slice of luck. If he can make money, many paths are open to him which are closed or nothing but blind alleys in an old country. His chances of promotion too are better, not so much because the ladder from the bottom to the top in industry is easier to climb in itself as because constant expansion is creating a growing demand for men of ability and experience in the higher ranks. These psychological factors no doubt give an added stimulus in America to the more ambitious, but, when all is said, the vast majority pursue their course steadily through life as working men and simply do their best at their job, if they feel they will reap an adequate

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reward. In this respect the American mentality does not differ from that in other countries. If high wages have not bred demoralisation in the United States, there is no reason to think that they would elsewhere.

A surplus above the necessities of life means, however, demand for many articles previously beyond the reach of the working man. Not only can he buy his own house, but he finds many small luxuries at his command for the first time, including the inevitable motor-car. In America this means less than with us, for a second-hand Ford may be bought for \$50 and paid for by instalments. Still the fact that outside the River Rouge plant 7,000 workmen's cars are parked for every shift is in itself a striking fact, which denotes a real difference in values. Prohibition has also had a real influence. Though it presents many undesirable features, American employers generally agree that it has enhanced the efficiency of their workpeople and has diverted a great sum which would otherwise have gone in liquor to the purchase of other goods. There is no question that the diffusion of wealth downwards is one of the elements which have made production on a huge scale possible and have thus accentuated the cycle of prosperity. But to suppose that high wages were paid by the American employer because he foresaw this result is to credit him with a prescience to which he would hardly lay claim. The fact is that after the great boom of 1920 there came a depression, which led to a general reduction of wages accompanied by acute industrial conflict in many industries in 1921-22. It was found impossible, however, to make very substantial cuts, especially in the organised industries, where wages still remained above the high level of 1919, while even in the unorganised steel industry they still stood above the 1917 mark.*

The reason for the maintenance of high wages even under relatively adverse conditions and for their subsequent rise as trade resumed its advance is in no way

* *Statistical Abstract of the U.S.: Wages and Employment.*

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abstruse. It is mainly due to the supply of labour being unequal to the demand. Before the war wages were kept down because the tremendous inrush of immigrants met every requirement of industrial expansion. The war reduced the torrent to a trickle, and the Quota Law has kept the sluice gates well screwed down ever since. The American Federation of Labor always pressed for the restriction of immigration, because they held that no real improvement in the standard of living could be effected as long as unlimited foreign labour could be imported, glad to get wages which for the American-born were equivalent to semi-starvation. Statisticians have calculated that on this account real wages actually declined from \$635 per annum in 1889 to \$568 in 1914.* In any case, subsequent events have clearly justified the estimate of Mr. Gompers and his colleagues as to the correlation between immigration and wages. The Bureau of Labor Statistics shews that the index number of weekly union wage-rates rose by 10 points from 1907-1914, eight years of unfettered immigration during which nearly eight million persons entered the United States. But the index rose by 112 points, in spite of a progressive shortening of the working week, between 1914 and 1924, ten years during which less than four million persons were admitted to the country. The establishment of the quota coinciding with the rapid expansion of industry has given to labour of all kinds a higher value. The negro now finds he can get good employment in Chicago, Detroit and other manufacturing cities and is migrating north in considerable numbers. The European immigrant is now being replaced by Mexicans for gang work on the railways as far north as Montana. It is significant that, whereas only 84,000 Mexicans came into the United States to stay between 1910-14, no less than 232,000 were officially registered between 1920-24, and it is generally admitted that many thousands more slipped over the border without registration. But these

* W. E. Walling, *American Labor and American Democracy*, p. 220.

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new sources of supply are not enough to meet the demand. Labour commands a higher price because it is scarcer, and in his last Congressional Message Mr. Coolidge actually mentions "restrictive immigration" as one of the methods adopted by the Federal Government to raise the status of the wage-earner.

High wages are primarily based, then, on competition for a limited labour supply. Nevertheless the benefit which they confer on industry by enhancing the purchasing power and therefore the effective demand of millions of work-people has led the American employer to believe in the value of their maintenance and therefore to seek every other means of reducing costs before he touches wages. There is also no doubt that a higher standard of comfort has had a sweetening effect on industrial relations. But high wages could not be paid unless a correspondingly high production made it possible. It is in meeting this problem of obtaining greater output from a smaller working force that the American employer has shown remarkable energy and versatility, and it is just this that constitutes the most impressive feature of American industry. In order to find his solution he has been driven to experiment in three principal directions—the substitution of machine-power for man-power, the improvement of management, and the study of industrial relations. To treat each of these subjects even summarily would require three separate articles. All that can be attempted here is to sketch in a few salient points in each picture.

III. MACHINERY VERSUS MAN-POWER

THAT the output per man has enormously increased in the United States during the last ten years is beyond question, though of course the increase has varied greatly from industry to industry. The Bureau of Labor Statistics* has recently attempted to estimate it in the steel,

* *Monthly Labor Review*, July, 1926.

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automobile, shoe and paper industries, and though it does not claim more than approximate results, their general soundness can hardly be doubted. They show that output per man had increased by 25 per cent. between 1914-16 and 1924-25 in the steel industry, by 34 per cent. between 1917 and 1925 in the paper and pulp industry, by nearly 81 per cent. since 1916 in the automobile industry. In the boot and shoe industry, however, there has been a decline of 6 per cent. since 1921, and the reasons adduced to explain this exception are interesting. The principal ground is

the great increase in demand of retailers for varied and fancied styles. This affects production directly, because it means a decrease in standardisation. . . . This in itself would probably be quite sufficient to account for the decreased productivity in shoe production, since it tends to prevent the substitution of machinery for hand labour.

Here we find clear proof of what is indeed obvious enough—that increased output per man is only possible on a large scale in the case of a mass-product, which permits of an extensive use of automatic machinery. Where a highly finished and specialised product has to be manufactured the same methods cannot be equally applied.

The fact remains, however, that whenever possible labour is economised by the utmost use of machinery. Just as the "conveyor" has abolished all pushing, pulling and carrying in many American factories, so it is doing the same in the ports. At Montreal the great grain elevators pour wheat into vessels at the rate of 9 tons a minute and unload them with similar rapidity. At Mr. Ford's docks his coal and iron ore are unloaded and handled entirely by machinery. In his huge power plant at River Rouge, which is designed to develop 500,000 horse-power, a shovel and a rake are kept in a glass case as relics of a bygone age, all the stoking and raking of the furnaces being performed automatically. The human element is represented by a few engineers walking about in clean white ducks. In the big clothing factories in Chicago wholesale suits are no longer

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cut out of the cloth one at a time by hand, but twenty at a time by an electric cutter. In baking the dough-mixing machine with one operator performs the work of twenty bakers. In the steel industry one charging machine does the work of forty men. Such examples could be multiplied indefinitely, and could be found in every branch of industry. Everywhere human effort is being replaced by the machine, with the result that cost of production is diminished and higher wages are paid. It is significant that the cost of building in New York and London is about the same—75 cents per cubic foot as against 3s. Yet, whereas with us the bricklayer earns 1s. 9d. an hour, in New York his trade union scale is \$1.75—four times as much, and on buildings run up by speculators he often earns far more. What is true of the bricklayer is true of the other building crafts.

It is often alleged that the huge production of America is due to the harder work of the American workman and to the absence of trade union restrictions. General statements of this kind are difficult to disprove, but the writer's impressions did not lead him to think that the pace and intensity of work in the United States were greater than can be found in many British factories. This view is confirmed by the report of the German trade union delegation which visited America in 1925. In engineering works they noted that

the speed was not faster than with us in Germany. . . It might often be rather observed that the work was done at a quieter pace than with us. . . . Our observations showed that the higher productivity of American industry and the output of the American workman, which, generally speaking, is undoubtedly higher, is not to be attributed to the greater physical intensity of his work. In the foregoing inquiries we have been struck by the difference in methods of production, which result in higher output.*

There is no reason to suppose that the American workman should naturally excel the British or the German. The former is still largely drawn from the immigrant classes,

* *Amerikareise deutscher Gewerkschaftsführer*, pp. 40-48.

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whose intelligence and education are entirely below the level of Western Europe.

Nor is the absence of trade union restrictions sufficient to account for more than a very small part of the difference in output. These restrictions do, in fact, exist in some American industries, such as the building trade, in a marked degree. It is probably true, however, that they are less prevalent in some other trades than in Great Britain, and this is a point upon which the conclusions of the British Mission will have a special interest. In particular, American trade unions have not been generally opposed to the introduction of new machinery. It is frequently stated that such opposition is the cause of our backwardness in the adoption of mechanical methods, but very little substantial evidence has been produced to show its extent, whereas there are certainly numerous establishments which have been completely modernised without opposition from the unions, and in some notable instances with their active co-operation. What we really need is an authoritative survey conducted by the employers and employees in each industry, which would ascertain the real facts on subjects such as this. The shipbuilding industry has recently set a noteworthy example which might well be followed by others. It may, however, be affirmed with some confidence that no amount of extra effort on the part of the American workman could account for more than a fraction of his added output. It is mainly attributable to the mechanical appliances and power placed at his disposal, which enable more abundant production by fewer men.

It may be asked whether this process can be indefinitely prolonged, whether saturation point will not soon be reached even for a market so large as the American, whether economy of labour must not ultimately produce unemployment. The answer to these questions lies in the realm of speculation and depends on a number of indeterminate factors. The general American view, which, on this as on most things, is tinged with an impregnable optimism, seems to be

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that one demand breeds another, that when one is satisfied another springs up, and that those who are displaced in one industry find employment through the growth of another. To quote Mr. Julius H. Barnes, formerly President of the United States Chamber of Commerce :

With relatively fewer workers, we steadily increase industry's contribution to living possessions. These workers are not released to unemployment, but to the service of enlarged old industries and the establishment of new ones.*

In the last twenty years this story has been repeated in a hundred ways. There have been developed four major industries—the automobile, the motion picture, the electrical industry and the chemical industry. These four industries, practically non-existent twenty years ago, to-day furnish the livelihood of thirty million people.†

There are others whose vision is less sanguine than Mr. Barnes's, and who view the danger of over-production with apprehension, but as yet its arrival seems to be constantly postponed, though there are signs that the present boom has passed its peak. Moreover, there are considerable fears that when depression does come it will have disastrous effects owing to the tremendous extension of instalment purchasing. Of the cars sold by the General Motors Corporation 75 per cent. are sold on credit, and what is true of cars is true in a lesser though considerable degree of furniture, clothes, jewellery and many other articles. It has been estimated that there are now some \$4,000 millions of credit outstanding, but no one knows the exact amount. Hitherto the system has been worked with little loss and has undoubtedly stimulated consumption. Many bankers and economists, however, question its soundness, and fear a severe financial crisis if reduced wages and unemployment rendered the instalment buyer unable to fulfil his commitments and "to keep the wolf from the garage door." But this, again, is a pessimistic

* *America's Conquest of Poverty*, by J. H. Barnes.

† *Production and Living Standards*, by J. H. Barnes.

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query addressed to the future. For the average American in his present mood "sufficient for the day is the profit thereof."

IV. SCIENTIFIC MANAGEMENT

THE second method by which economy has been effected is in the direction of better management. Since F. W. Taylor invented his system of "scientific management" nearly a generation ago, a vast amount of research and discussion has been devoted to this subject. Various schools have sprung up which preach their particular doctrine with an almost fanatical enthusiasm. There is now a class of consulting engineers many of whom make a very good living by advising on problems of organisation. Among these the pure "Taylorists" are comparatively few in number, and even the Taylor creed itself has undergone substantial modifications in the light of experience. All of them, however, are seeking the same goal by different though converging roads, namely, the utmost efficiency through economy in administration and the simplification of processes. It is a mistake to suppose that their main object is the "speeding-up" of work or that they are only concerned with the way in which the manual worker does his job. Their aim is rather to ensure that everything is done with the utmost economy of effort and the utmost smoothness of rhythm from beginning to end. They pay quite as much attention to the organisation of the directing staff, the method of accounting, the planning of the purchase of raw material, the amount of stock carried, and the science of distribution, as they do to analysing the motions of the machine-feeder or to setting a fair basis for premium bonus rates. The methodology of industry is the object of their investigation, the elaboration of the system best fitted to the needs of each particular establishment, so that every man and woman from the heads of departments to the typists and cleaners have

Scientific Management

their work clearly defined, following a regular course and performed without unnecessary exertion. They seek to introduce all changes affecting the workmen with their full co-operation and consent, and many engineers express their preference for dealing with unionised men, as it is easier to demonstrate the advantages of better methods to a few experienced leaders than to a large number of individuals separately. Their difficulties usually lie far more with the managerial staff than with the operatives. The very word "science" breeds scepticism and alarm in the breasts of men who have advanced by purely opportunist methods and who have a fundamental distrust of anything "new-fangled." But when analysed the greater part of so-called "scientific management" resolves itself into the thorough study of every detail in industrial administration and practice and the discovery of the best means to eliminate every element involving waste of time, labour and material. No doubt in some instances there is a good deal of over-elaboration, needlessly minute timing, filming and so on, but that very surprising improvements in production have been achieved by making numerous small and often absurdly simple changes in method or by introducing thorough-going reform in administrative organisation is beyond dispute. The scientific management school have certainly spread the gospel of war against waste in every form very effectively, and have thus made a substantial contribution to improving American efficiency.

V. THE STUDY OF INDUSTRIAL RELATIONS

CLOSELY related to the question of scientific organisation is the systematic study of industrial relations. Here again the incentive came largely from the shortage of labour. With a surplus of labour of all grades available the employer does not feel the same obligation to ensure

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that his employees will remain in his service. But where as in the United States a good man is replaced with difficulty and may easily be persuaded to go elsewhere by higher wages or better conditions, it becomes a matter of primary importance to study his welfare and to offer him every inducement to stick to his job. During the war employers were in constant danger of finding their machines idle, because their minders had found a more tempting prospect elsewhere. The same risk is still constantly present in many big industrial centres where the competition for workers is acute, and it is greater in America than in other countries owing to the extraordinary fluidity of labour and the national restlessness, which leads men to forsake one kind of work and seek another, even when they are well paid and successful.

Out of these abnormal conditions has evolved a new science of what is called "personnel administration," around which a considerable literature has grown up and which has caused the whole relationship of employer and employed to be subjected to the closest scrutiny. Originating from the welfare movement which was a product of war industry, it has logically advanced to the consideration of industrial relations in their widest sense. No system which aims at securing good and constant service in industry, whether by offering benefits for sickness or old age, by seeking to avoid "grievances" arising, by providing medical and recreational facilities or by giving a financial interest in its success, can proceed very far without encountering the more ultimate problems which centre round the claim of workmen to have some effective share in determining the conditions in which they work. From welfare to "employee representation plans" was therefore a natural transition. These plans have been set up on many varying models and in many industries during the last few years. They may be found on railroads such as the Pennsylvania; in meat-packing plants such as Swift's; in great engineering establishments such as the International

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Harvester; in the refineries of the Standard Oil Company; in huge concerns like the General Electric and the Westinghouse; in the steel plants at Bethlehem; in fact, in many of the most representative establishments in American industry. They are all more or less in the nature of experiments and the degree of "industrial democracy" which they imply varies enormously. At one end of the scale stands a scheme like that of the Philadelphia Rapid Transit Company, founded by a remarkable man, Mr. T. E. Mitten, as long ago as 1911. It consists of a regular system of committees elected by the 10,000 tramway, bus and taxi employees of the city, who have a considerable say in the general management of the company and who now own more than one third of the \$30,000,000 common stock, thereby nominating two directors. There is no discrimination against trade unionists and the company are prepared to deal with their employees on a trade union basis, if two-thirds of them so decide. At the other end of the scale are "plans" which set up councils with no power to consider wages and based on contracts prohibiting membership of a trade union. Between these two extremes lie schemes containing very diverse features and carrying with them very different benefits or methods for stock-distribution. In most cases the stock does not carry any voting rights and in only five out of some 800 plans has any effective degree of joint ownership been established. There is no doubt that most of these plans were initiated with at least the partial object of "keeping the union out." Whether they will ultimately be successful in this aim is, however, very problematical. The American Federation of Labor has hitherto been organised almost exclusively on craft lines and has paid relatively little attention to the semi-skilled and unskilled men. The "Company unions," which have been formed under the employee representation plans, imply organisation on industrial lines which is often better adapted to the establishments in which they exist. Many impartial and

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qualified judges regard them as a transitory phenomenon destined to give place to regular trade union organisation on industrial lines. Whether this forecast be justified by future events or not, a closer contact has certainly been set up in many plants between employer and employee and a better understanding created of each other's problems. Moreover, the attention paid by the big corporations to industrial relations has called into being a new professional class in the Labour Manager, whose business it is to ensure that the men's point of view is fully known and considered by the firm on all questions affecting them and who is allowed considerable latitude in determining its general labour policy. The existence of such a class is in itself some guarantee that the human element in industry is carefully studied and sympathetically approached.

But it should not be supposed that "employee representation" as established in many of the non-union shops is the typical form of industrial relationship in the United States. Probably not more than one million men and women are covered by such plans. Outside them there are about three million organised in trade unions, whose conditions are for the most part determined by collective bargaining and perhaps another eight million who are without any form of organisation. The struggle for trade union recognition is still proceeding with considerable energy, but it is far from true that trade unionism is impotent or inactive in America. Some industries such as printing, building, clothing are very highly organised. The same is true of the coal-mining and textile trades in some localities. The Railway Brotherhoods comprise the great majority of the operating staffs of the railways. It would be too long a story to trace the history of the bitter fight which has been waged for the last thirty years by the employers against the unions, a fight which has been marked by methods of violence on both sides which are little known in this country. Although less in evidence now during a time of general prosperity these methods

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have not been abandoned. The trade unions usually try to enforce the "closed shop," which means that the employer binds himself to employ no non-unionist and sometimes even to collect the union dues. The employers stand for the "open shop," which sometimes means that no unionist is employed, but more often that no discrimination is made against non-unionists and that no trade union is recognised. The trade unions employ the boycott against non-union goods, while the employer uses the injunction to cripple their collective action. In the telephone directory of almost any industrial city may be found advertisements of detective agencies who conduct "industrial inquiries" and provide "guards and watchmen" in case of strikes. The unions charge the employers with wholesale espionage and "victimisation," while employers charge the unions with graft and blackmail. As long as the industrial atmosphere is impregnated with suspicions and antagonisms of this kind, it can hardly be regarded as free from trouble.

Trade unionism is a powerful force, and exercises considerable political influence. Though there has been a substantial drop in the membership of the American Federation of Labor, which was swollen artificially during the war, it still counts nearly a million more members than in 1914. As has been already mentioned, it has up to now been primarily a craft organisation catering for the skilled trades. The problem of organising the masses of semi-skilled and unskilled men in engineering, steel and other industries has not been solved. There is a wide gap between the wages of these classes and those of the aristocracy of American labour. Whereas the average weekly wage of the skilled man runs from \$40 upwards, that of the unskilled even in the North rarely exceeds \$25, and in the South is only \$16. These figures mean that with uninterrupted work for 52 weeks the labourer earns an average of \$1,300 a year in the North and \$832 in the South. It has further to be remembered that

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seasonal unemployment is common in a number of industries, and that there is no State provision to aid the American workman when he is old, sick or out of work. All these contingencies have to be met out of his savings or by charity from the Community Fund, except where he receives assistance from his employer or trade union. When these things are taken into account, it will be seen that the income of the common labourer at best brings him hardly above the poverty level, which is usually fixed at \$1,100 a year. As Mr. Coolidge said recently to Congress, "skilled labour is well compensated. But there are unfortunately a multitude of workers who have not yet come to share in the general prosperity of the nation."

Mr. William Green, its President, recently defined the position of the American Federation of Labor in these words :

Because of the opposition which has come to labour at every turn of the road, it has been forced to assume a militant attitude. . . . Labour does not want to waste its energies and resources by engaging in industrial conflicts. . . . Labour understands fully the cost of industrial strife and the sacrifice it must make when forced to strike. It is determined, however, to assert its right to organise and to bargain collectively, regardless of cost or sacrifice.

There is, however, another side to the picture. In the speech from which the above quotation was taken and in many others Mr. Green has held out the olive-branch to capital. In return for the recognition of trade unionism, he is prepared to recognise "the right of the employer to manage his industry, to control it and to receive a fair profit from his investment." From this relationship he thinks will come "understanding co-operation and the manifestation of a mutuality of interest in the management and conduct of industry." There is a substantial number of employers in the United States who are anxious to bring about such co-operation. This sentiment is quite as much the guiding motive in some of the representation plans mentioned above, as the desire to ensure a regular

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working force. It is interesting to find that it is also operating in some of the organised trades under different forms. The experiment of Co-operative Committees now functioning for some years on the Baltimore and Ohio, the Canadian National and other railways, has often been described. It is based on the stabilisation of employment through increased production, and there is no doubt that it has brought very real benefits to both parties coupled with a better mutual understanding. The collaboration between the Amalgamated Clothing Workers and the employers in Chicago and New York has revolutionised that industry and greatly reduced industrial strife for ten years past. Instead of being one of the worst paid in the country, it is now among the most prosperous. The general index of wages has risen from 87 in 1911 to 296 in 1924, while hours have decreased from 50 to 44 per week. These results have been attained by the co-operation of employers and unions in reorganising the shops, introducing machinery, setting up joint bodies for settling wages and conditions, and making joint provision against seasonal unemployment. Similar instances of collaboration could be cited from the printing and other trades. While too much stress must not be laid on them, they show that there is a marked tendency towards co-operation between employers and trade unions in the organised trades in sharp contrast to the antagonism to organised labour which prevails throughout the greater part of American industry.

One thing is certain, however. Whatever the state of industrial relations may be in the United States, they are not stagnating. They are the subject of constant, lively and anxious discussion both by employers, workers and the public. The mass of books, articles and pamphlets on the subject is steadily augmenting. There is unremitting research and experiment in progress. It is probable that relations in this country are on the whole at least as good as they are in the United States. One could find in England works councils as successful, co-operation between trade

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unions and management as striking, scientific management as scientific as any in America. But there is one vital difference. There everyone knows about the "high spots," which stand out as examples to others; here nobody knows about them. There you can read about them in the *Saturday Evening Post* or any popular magazine. With us the Press never mentions the bright features of industry, because they are poor "copy." The public only hears about the quarrels between employers and workers, never of good feeling and co-operation between them. Yet the American Press with all its love of sensationalism pays quite as much attention to the successes as to the failures. The result is that the handling of the labour problem is generally believed to be better in the United States than is really the case, while with us the converse is true. Our methods of industrial government have acquired a worse reputation than their success in avoiding strife and promoting production in many industries deserves—and it has done us a great deal of harm by breeding doubts as to our industrial future both at home and abroad. There is much that can be learnt from American examples, but there is probably just as much to be learnt from some of our own, if only we were better informed about them. There are cases in which excessive modesty is not a virtue, and where publicity is not mere self-advertisement but a public duty.

VI. THE MEANING FOR OURSELVES

THE main lesson to be derived from the American experiments in the direction of co-operation, both in organised and unorganised industries, lies in the resurrection of something like human contact between management and workpeople within the works. Their aim is to give to the workman a better understanding of the concern from which he derives his livelihood and of the importance

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of his own contribution to its prosperity. Such understanding is an antidote to the deadening effect of large-scale industry on the individual. It does something to restore to the workman the old pride in production, which was the chief joy of the handicraftsman ; it affords him some insight into the risks of industrial enterprise, and into the responsibilities of management. He is often blamed for not understanding these matters and for swallowing communist fairy tales of exorbitant profits at his expense ; but if he is ignorant, the fault is not his, but his employer's, who alone can educate him in the truth and give him a sense of effective co-partnership. That is exactly what the more far-sighted American employers are doing. No doubt the same thing can be found in many British factories, but it is not widespread enough and too little is known about it. Occasionally we hear of striking examples such as the Stanton Ironworks, which was recently described in *The Times*, but there is no source from which the employer anxious to improve his own relations can find the experience of others fully and impartially described, whereas in America there are a dozen books by competent investigators giving particulars and estimates of all the most successful schemes. A survey of this kind would be of great value in England and would incidentally correct some of the current pessimism about relations in industry.

The same secrecy has hampered the spread of better management methods and the prevention of waste. If British employers were more ready to exchange ideas and less anxious to hide their light under a bushel lest it should possibly illuminate and help someone else, there would be no need to go to America for instruction. No doubt there are British works just as well managed and equipped as the best American, but what is raising the whole standard of management in the United States is the habit which has been generated among employers of discussing these problems openly among themselves, of comparing the methods of one industry with those of another and of

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founding associations for research and conference. The American is by temperament eager for change and novelty. He is rarely satisfied that he has found the key to prosperity and that having found it he can sit back and see it grow. Just as he tears down a perfectly good building to build a better one, so he is disposed to scrap good old methods, if he can find better new methods. But this natural tendency has been immensely strengthened by the interchange of information and the openness of discussion which are very noticeable among American industrialists. They are not afraid to teach each other or too proud to learn from each other. In this respect we certainly have something to gain by imitation. There are few things so perfect in this world that by forethought they cannot be improved. It is therefore a matter of satisfaction that an International Management Institute has just been established in Geneva to act as a clearing house between the different European countries and the United States for information on all questions relating to factory administration. A British Committee is now being formed to co-operate with the Institute and to co-ordinate national research along these lines. It is to be hoped that British manufacturers will avail themselves of the facilities thus afforded for pooling their own knowledge and for becoming acquainted with foreign practice and experiment.

As a nation we seem prone to oscillate between undue self-depreciation and undue self-satisfaction. Though modesty and confidence are pleasing and desirable qualities, they are easily exaggerated into defects. In regarding America it is as well to avoid either extreme. It is as dangerous to think that we have nothing to learn as to think that we have everything to learn from the United States. Just because mass-production has been introduced with great success there, it does not follow that it would always be equally remunerative here. We have an excessive rather than an inadequate labour supply. We have not the same broad home-market to build on, the same

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abundance of capital, the same prodigality of consumption or uniformity of taste in our public. Nor would it be wise to sacrifice our unequalled ability to produce highly finished articles which command a good price in order to manufacture great quantities of cheaper goods, which others can make equally well. When all this is said, however, there are certainly some fields in which greater and cheaper production could be applied with advantage, and in which American competition may become very formidable, unless it is achieved. There is no escaping the fact that American production in manufacture as in agriculture is far greater per head than ours. The difference may be explained by all sorts of considerations, but no amount of explanation will conjure it away. Our farmers are suffering, because the agricultural population of the United States produces 159 per cent. more per head than the agricultural populations of Belgium, France, Germany and Great Britain, although the average yield per acre in those countries is 41 per cent. higher than in America.* Our factory-workers are threatened by a similar competition based on the same unstinted application of mechanical power. In the face of this situation we cannot afford to neglect any means of improving our output, whether it be by securing closer contact and co-operation between employer and employee, by ruthlessly revising methods of organisation and administration, or by seeking to enlarge our markets by stimulating Imperial trade and by assisting the development of an European economy. Now that a spirit of optimism is beginning to replace the gloom of last year the time seems ripe for a new start in every direction. It is a time for casting aside old animosities and old prejudices, for throwing the mind wide open to new ideas, for reviewing critically old ones, which may have served well in the nineteenth century, but may be anachronisms in the twentieth. Above all let us abandon for good the aim of "getting back to pre-war conditions." It cannot

* See Prof. Julius Hirsch, *Das Amerikanische Wirtschaftswunder* p. 23.

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be done industrially or economically any more than it can politically. The clock has moved forward, and if we try to put it back, it may stop altogether. We are living in a new industrial world, in which the organisation, the machinery and the relationship between employer and workman of twenty years ago are no longer adequate. It is only the men and the nations who best realise this fact and act accordingly that can hope to hold their own in the economic race of the present and the future.

THE WORLD ECONOMIC CONFERENCE

I. THE CHARACTER OF THE CONFERENCE

THE Economic Conference for which the League of Nations has been preparing for more than a year will be held in Geneva in May next. Its principal characteristics, so far as they are determined by decisions already taken, can be briefly summarised. It will be a World Conference, with a large and comprehensive membership. All countries of any economic importance, including those which are not members of the League, such as the United States, Russia, Turkey, Mexico and Ecuador, have been invited to select members up to a maximum of five. These members, though selected by Governments, will not be the spokesmen of official policy. They will cover a wide range of personal qualification and experience and, like the Preparatory Committee which has been organising the Conference during the last year, may be expected to include industrialists, merchants, financiers, officials from Boards of Trade, economists, agriculturalists and representatives of workers' and consumers' organisations. The British Government has chosen Sir Arthur Balfour, Sir Norman Hill, Sir Max Muspratt, Mr. Walter Layton and Mr. Arthur Pugh; and separate nominations, though not up to the maximum of five in each case, may be expected from the Dominion Governments.

The main purpose of the Conference will be to serve as a forum of public discussion; it will be a "general con-

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sultation in the course of which doctrines may be freely exposed without the freedom of discussion being restricted by any immediate necessity to transform the conclusions of the Conference into international agreements."

Lastly, the agenda, in conformity with this purpose, has been widely drawn. Its first part provides for general discussions of the principal features and tendencies in the economic situation from the point of view both of the peace and the prosperity of the world; while its second part contemplates more specific examination of the problems of industry, commerce and agriculture, and in particular the problems connected with tariffs and commercial policy, and with "international industrial agreements."

II. EARLIER CONFERENCES

SO much for the bare facts. But what is the Conference likely to be and to do? And why has the present year been chosen for it? The best approach to these questions is to trace in main outline the action hitherto undertaken by the League in the financial and economic sphere and to attempt to find in it a policy naturally leading to the present plan of an Economic Conference.

The League, under the Covenant, has few specific duties in this sphere. Apart from the economic sanctions against an aggressor, which have not hitherto been enforced, there is only the provision of Article 23 that Members undertake to "secure and maintain freedom of communications and of transit and equitable treatment for the commerce of all Members of the League"—a very wide and rather vague undertaking which may obviously mean much or little as the future development of policy in the different countries may determine. But quite apart from any specific duties the League is an organisation through which States may properly co-operate to achieve any kind of international purpose which is not out of harmony with the

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general spirit of the Covenant. It was natural, therefore, that the League should consider how it could help the world in its efforts to recover after the destruction and dislocation of the war. The first important initiative taken was to convene the Brussels Financial Conference of September 1920 and a consideration of the main features of this Conference already gives an indication of the lines of future policy and development. In contrast with such a Conference as the later one at Genoa, arranged outside the League, the Brussels Conference was limited and expert in character. At Genoa there were delegations headed by Prime Ministers or other responsible statesmen, assisted by their respective experts; and the agenda was a complex of political, economic and financial questions. Except for some elaboration of the Brussels financial resolutions, no useful results were reached; the task was too wide and the time not opportune. But at the earlier League Conference at Brussels the members, though named by the Governments, were chosen on the basis of personal qualifications; they did not represent Government policy, and their essential task was to recommend the principles of policy which countries would be wise in adopting in order to return to the pre-war financial system. The result was a body of authoritative expert doctrine which, as one can see in looking back after six years, has been a powerful influence in bringing the world back to financial stability. It is, however, significant that the future utility of these resolutions was very doubtful and much questioned at the time, and that the only attempt at immediate practical action by the Conference (the creation of the so-called Ter Meulen bond system) was as abortive as the later proposals at Genoa of a great European consortium. Another notable feature about this early League Conference was the careful preparation made beforehand. Genoa was improvised and such preparation as was made was almost entirely by the experts of the respective Governments working separately. For Brussels not only was a body of international officers

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at Geneva continuously engaged in arranging the necessary documentation, including statistical memoranda and special monographs by economists, but an international committee of financiers (the nucleus of the later Financial Committee of the League) supervised the later stages. No less significant is the concentration at that date on financial, as distinct from economic, questions. No general economic conference was at that time thought practicable or likely to lead to useful results. The reasons are not difficult to discern.

The establishment of a satisfactory financial system in different countries, and in the world, is eminently a matter for Governments, acting nationally or internationally, and so far as action extends beyond Governments, at least for *centralised* action. Governments alone can establish the essential condition of a sound financial system—balanced budgets; and they alone, or they alone with a relatively small number of bankers and financiers, can institute sound currencies and create the institutions (Banks of Issue with suitable statutes) and the legislative basis necessary for their maintenance.

Economic reconstruction, on the other hand, the gradual repair and the readjustment of production and supply to demand, in every form of economic activity, is essentially the task of individuals, of manufacturers, merchants and workers. Governments can help and can hinder. But the main task is not theirs.

Moreover, financial reconstruction claimed first attention because it is the prior condition, and *basis*, of any economic recovery. No efforts of individual enterprise can achieve any stable economic result if the financial system, and therefore the medium of exchange, is liable to collapse beneath it.

Apart from these reasons, however, which in themselves would doubtless have been decisive in limiting the agenda, it was very necessary in a first attempt to choose a field in which there was a reasonable prospect of agreement. And

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it is evident that agreement is immensely more difficult in economic than in financial policy. In finance there was the standard of the pre-war system, and the members at the Brussels Conference, from practically all countries, were agreed as to the desirability of returning at least to the main principles of this system. With a fundamental agreement as to objective, therefore, the questions for discussion mainly concerned opportunity and method. The divergencies of economic policy, on the other hand, while intensified by war and post-war conditions, are rooted in much older controversies. There were fundamental differences as to the principles of tariff policy long before the war, and these differences were entangled with every sort of conflict of national and individual interest. Moreover, any general discussion of economic policy would necessarily trench upon such deep-rooted controversies as those on the relative merits of individual enterprise and public control.

These considerations, which led in 1920 to the convocation of a conference which concentrated on financial questions, have been set out at some length because they indicate some of the more important factors which had to be taken into account in choosing the time, and arranging the agenda, for this year's Economic Conference.

It was also more possible to limit the sphere of discussion in 1920 because there was behind the Brussels Conference (in contrast with Genoa) a permanent organisation able to watch its moment and deal, in what seemed the most appropriate way, with each class of problems left over after the first Conference.

Thus we find that the League shortly afterwards set up a permanent transit organisation, responsible to a periodical Transit Conference, to deal with problems of communication and in particular to facilitate the transit trade and codify the law governing it. This work has been proceeding steadily ever since. But besides this, two standing committees, the Economic Committee and the Financial Committee (uniting for some purposes in a single Com-

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mission), were appointed. These committees meet periodically, normally every three months, and report to the Council. They consist of industrialists, officials of Boards of Trade, bankers and treasury officials. As they meet only for some four weeks in the year, and are for the rest of the year engaged in their several tasks in their own countries, they constitute a link between official international work and national and private activities throughout the world. Of these committees the Financial Committee has since supplemented the general principles of Brussels by specific tasks of financial reconstruction in Austria and in Hungary, and has indirectly aided the national finances of Greece and Bulgaria by arranging for the settlement of their refugees. The Economic Committee, on the other hand, has made a modest but useful beginning with some of the questions which will fall within the sphere of discussion of the Economic Conference. It has, for instance, through an *ad hoc* Conference, preceded by long preparation, secured a convention providing for the simplification of customs formalities, and another facilitating commercial arbitration. The difference in the character of the financial and the economic tasks is significant. In the Austrian, Hungarian, Greek and Bulgarian schemes we see a number of stronger countries co-operating to assist a weaker one; in the Economic Committee's tasks we see an attempt to secure agreements affecting the daily administrative and legal procedure in all signatory countries. The second is necessarily a slower task; it needs a much stronger impulse towards international co-operation to give it the required driving force. As we shall see, it may well be one of the chief results of the Conference to provide this new impulse.

General Scope of an Economic Conference

III. THE GENERAL SCOPE OF AN ECONOMIC CONFERENCE.

THIS outline of action has in itself suggested the reasons for caution in choosing the moment for an economic conference, and great care in preparing for it. Let us develop these reasons a little. Economic questions are at once very wide in range and in subject-matter, and at the same time very specialised in character. Tariffs, prohibitions and licence systems, transit questions, labour problems, commercial law (as to arbitration, bills of exchange, industrial property) are instances of the practical problems of economic policy. Each of these, at the stage of convention framing, can only be dealt with by highly specialised experts. It is inconceivable that any conference could include delegates from each nation with sufficiently comprehensive qualifications to cover the general range of economic questions, and sufficiently specialised to discuss effectively and responsibly the principles of separate and concrete conventions. It is for this purpose that the Conference will be a "general consultation," not aiming at the immediate conclusion of conventions though likely to supply the motive power and procedure by which such conventions may, in certain defined spheres, be concluded later.

If we conceive of a conference in this way as primarily and essentially a forum of public discussion, designed indeed to facilitate future practical results but not to achieve them during its own session, the difficulty of the range and complexity of economic questions is greatly reduced, but it is not eliminated. Unless the moment is carefully chosen, and the conditions are favourable, the discussions are likely to be aimless, discursive and impotent. In particular a conference of this character, with its long and careful preparation, is appropriate rather for the discussion of the more deep-rooted of economic troubles than of those

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which are very transient or change rapidly in their character, such as were dealt with at earlier international meetings.

It is a great advantage, therefore, that now that eight years have elapsed since the end of the war, the more fundamental troubles stand out more clearly from those which have been either transient or trivial. If we examine the agenda of earlier international discussions this advantage becomes very evident. We now know, for example, that the radical difficulty is not, as it was often thought to be in the years immediately after the war, either a shortage of raw materials, or an inadequate productive capacity, or an inadequacy of sea or land transport. The essence of the trouble is no material inadequacy in the resources of nature, or in man's capacity to exploit them. Various as are the shapes which our difficulties and their proximate causes assume, they are all forms of disorganisation, dislocation and maladjustment. Demand, the myriad needs of the consuming millions of a world turning suddenly from war to peace, changes so rapidly that neither the groping finger of changing prices can discover it nor production, rooted in fixed plant and the acquired skill and habits of workers, can be re-adapted sufficiently rapidly. The efforts made, in this country and that, to mitigate the dislocation resulting from this disparity take the form of trade barriers which, by their nature, retard readjustment, involve loss of economic opportunity, and at last collectively involve more loss than they avert. Here, in a sentence, is the central problem with which any World Economic Conference must be primarily concerned. Innumerable as are the forms which the trouble takes, there is a certain unity which would have been absent from any conference held sooner after the war.

Among the causes of maladjustment, however, there is one which has occupied the first place in the greater part of the last eight years, but which could only be a confusing element in an economic conference, viz., the instability of currencies. It was this factor which constituted the

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greatest difficulty in choosing the date for a conference. It was a trouble in which no further international discussions were likely to be of value. The general principles of financial reform had been authoritatively determined at Brussels and Genoa. After that it was a question of separate action in each country with an unstable currency whether by unaided national effort or with international help. At the same time the existence of serious currency fluctuations was a fatally complicating factor in the discussion of the proper subjects of an economic conference. Take, for example, such an obvious proposal as that tariffs should at least be stable for substantial periods. It would be impossible to discuss this under favourable conditions so long as many countries were anxious about the effect on their industries of a possibly sudden depreciation of a neighbour's currency. The idea gradually developed, therefore, that the most suitable time for an economic conference would be just after this first trouble, of fluctuating currencies, had been overcome by the action already initiated, always provided, of course, that the general international atmosphere should then be favourable.

This indicates at once why it was that the recommendation to prepare for an economic conference emanated from the Assembly of 1925. At that date the improvement in the political atmosphere which found expression shortly afterwards in Locarno was already evident. And the return to general financial and currency stability seemed in sight. For some eighteen months there had been no serious depreciation in any European currency. Fluctuations in the exchanges, the chief impediment to international trade in the four years after the war, had for the time ceased to be a factor of importance. The specific financial obstacles to stability in the form of unsettled reparation or allied debts seemed likely to disappear, at least for a long time, as a result of the Dawes plan and the progress in the debt negotiations. Unhappily the next year saw a serious set-back. The French, Belgian, Italian,

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Russian, Polish, Greek and Roumanian currencies, all showed varying signs of weakness. In these circumstances the decision at the end of last year to hold the Conference in May presented some difficulties. Fortunately there had again been some improvement and the hope that, before May, the complicating factor of unstable currencies will at least have been reduced to modest dimensions, has so far been confirmed by subsequent events.

IV. THE AGENDA

IT is time to refer, in rather more detail, to the agenda of the Conference. The object of the Conference, as the original Assembly resolution made clear, is a twofold one. It is concerned not only with the prosperity but with the peace of the world. This is not so much a separate part of the agenda (though there is an item for the discussion of "economic tendencies capable of affecting the peace of the world") as a point of view which the Assembly hoped would be borne in mind throughout the discussion of particular subjects. Economic conflicts and divergence of economic interest are perhaps the most serious and the most permanent of all the dangers which are likely to threaten the peace of the world. No machinery for the settlement of international disputes can be relied upon to maintain peace, if the economic policies of the world so develop as to create not only deep divergencies of economic interest between different masses of the world's population, but a sense of intolerable injury and injustice. No task is more urgent or more vital than that of securing agreement on certain principles of policy which are necessary in the interests of future peace. And there is perhaps no question which, in comparison with its intrinsic importance, has had so little careful and collective deliberation. No single conference can do more than make a first beginning in

The Agenda

such a task, but the ultimate results are incalculable. It is to be hoped that the opportunity will not be lost.

The first part of the agenda also contemplates general and unrestricted discussion on any factors in the world economic position which seem to the members to be of primary importance. This discussion, besides covering the subject referred to above, will include a general analysis of the "economic causes of the present disturbed equilibrium in commerce and industry" from a general world point of view, and also statements of the "principal features and problems as seen from the point of view of different countries," the latter being based on brief printed reports to be circulated beforehand.

After a general review of this kind, which will, of course, be supplemented and founded on the wide documentary material now in preparation, the Conference will proceed to more specific questions, doubtless through the medium of appropriate special commissions. The three main headings are "Commerce," "Industry" and "Agriculture." Under commerce there will be discussions of "Liberty of Trading," with reference to import and export prohibitions, trade limitation or monopolisation, and the treatment of foreigners; of customs tariffs and commercial treaties, with reference to the form, level and instability of tariffs, and to nomenclature and classification; of indirect methods of protection through subsidies, dumping, etc., and the effects of reduced purchasing power. Under industry after a review of the situation in the principal industries, the industrial, commercial and monetary causes of the present difficulties will be examined, and the possibilities of action in organisation through international industrial agreements and the interchange of better information. Under agriculture there will be a similar review of the position in comparison with the pre-war period, and an examination of the possibilities of action in developing international co-operation between producers' and consumers' organisations, development of scientific research and

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communication of its results, and the development of the purchasing power of agricultural producers.

This is obviously a wide and varied agenda, in spite of all the efforts to restrict it to subjects on which discussion is likely to be valuable. The following comments of the Preparatory Committee in publishing it give an important indication of its real scope and purpose.

It will be observed (the Committee remark) that financial questions have not been added as a special group. The reason is that finance, while affecting the whole economic situation, is not, as at Brussels, the primary purpose of the Conference; it claims a place as bearing upon economic problems. It has also been thought inopportune to include the question of population as a separate item. Like finance, it will be taken into account as a factor always present in the whole industrial, commercial and agricultural situation. . . .

There are two classes of questions to which the Committee has given special prominence because of their intrinsic importance and the public interest in them at the present time. The valuable report of the International Chamber of Commerce, and the consultations in many countries of which it is the fruit, are among the many indications of the interest which attaches to problems of *commercial and tariff policy*. And, secondly, to take a more limited sphere, recent discussions have shown the great public interest in the proposals for *international industrial agreements*.

Lastly, the Committee would remark that some of the difficulties which are referred to in the agenda are to a peculiar extent difficulties, in the first instance, of Europe. The Committee presumes that attention will be given in discussing such questions to the special features of the European situation. The most important questions on the agenda are, however, clearly of world importance.

We thus have, as the essence of the Conference, a general review of the world situation, problems of commercial and tariff policy, the questions arising from international industrial agreements, and the special difficulties of Europe.

It is interesting to note the solution adopted as to two subjects, "raw materials" and "population" questions, which some countries desired to exclude from the agenda and others no less keenly to insert. These subjects do not form specific items, but any member who desires to advocate proposals will find items in which he can discuss them without being out of order.

Preparation

V. PREPARATION

ONE of the most distinctive features of the Conference is the elaborately organised system of previous preparation. It has been under the direction of a widely representative Preparatory Committee, under the presidency of M. Theunis, consisting of 35 persons of 21 nationalities and including the most varied range of qualification and experience. This Committee has during the last year arranged for a series of studies both on the general world position and on the special questions in the agenda which probably has no analogy in any previous conference. In this work the members of the Committee themselves, a large number of industrial organisations with which they have connections, the International Chamber of Commerce, the Institute of Agriculture, the International Labour Office, the Secretariat of the League, and a considerable number of eminent economists throughout the world have all collaborated. The resulting studies, which are being published as they appear, have a great intrinsic value quite apart from their purpose as the basis of discussions at the Conference. A large part of their utility, as indeed that of the contact of the representative persons who met in the Preparatory Committee, consists in the preparation of the most expert and directly interested public opinion of the world on which the success of the Conference mainly depends. The publications, when complete, should give an unequalled picture of the world situation. Those already issued include a study on production and trade, which itself gives the main outline of the picture, a picture in some respects less discouraging than might have been expected. It suggests clearly, for example, that, in the world as a whole, the average level of prosperity is higher than before the war, and even in Europe scarcely lower. The population and trade of the world in 1925 were both

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about 5 per cent. greater in 1925 than in 1913. The production of foodstuffs (exclusive of China) and of raw materials is probably 16 per cent. to 18 per cent. higher than in 1913. In Europe, as compared with an increase of population of 1 per cent., the production of raw materials and foodstuffs was in 1925 4 per cent. to 5 per cent. above the pre-war level, but trade about 10 per cent. below that level. These are striking figures. They do not minimise present difficulties, but they set them in their due perspective, and the last of them points to their real character. The point is enforced by the valuable report of the International Chamber of Commerce on Trade Barriers. In addition, memoranda have been issued on the balance of payments, on currencies and on public finance. These publications will shortly be followed by a comprehensive volume on "Commerce," covering the subjects in this division of the agenda, with a separate study on the levels of tariffs. Meantime a series of a dozen studies of the situation in the principal industries is in preparation with the aid of the respective industrial organisations. A further series of memoranda on agricultural problems is being prepared by the International Institute of Agriculture at Rome. The individual monographs include one on estimates of working population in different countries in the years 1931 to 1941, a calculation which is capable of some precision as it is independent of future changes in the birth rate, since workers in these years are already born; a study on "Methods of Economic Rapprochement" by Prof. Grossman, on "Dumping" by Prof. Viner, on "Cartels and Combines" by Prof. Niederfeld, and on "Stability of Customs Tariffs" by M. Brunet; and others are being arranged. Lastly a number of memoranda have been prepared by the Secretariat and the International Labour Office which affect all parts of the programme, including a statistical year book, studies on population movements and changes, on the standard of living in different countries and labour legislation, and a most necessary "Guide to the Conference" and to the

Possible Results

documentation as a whole. All these documents will be published as they are ready, so that there will be a steady stream of publications between now and May.

This material preparation is as important for its indirect as for its direct utility. It has engaged the collaboration, and therefore the interest and attention, of industrial, commercial, consumers' and workers' organisations throughout the world, and assures the Conference of the critical support and stimulus of many thousands of expert and interested observers who will not themselves be at Geneva. Whatever be the haul, at least the net has been thrown wide.

VI. POSSIBLE RESULTS

WE are now in a position to make some sort of guess at the probable character and possible results of the Conference. It will be primarily, as we have seen, and for reasons which have now become clear, a forum of public discussion. It will not aim at the conclusion of immediate conventions. Its members will have neither the governmental character nor the specialised knowledge necessary for that purpose. It can scarcely indeed, on the more contentious questions, hope even to reach unanimous resolutions with much substance and detail in them, and without unanimity there can be no resolution, but only an expression of opinion carrying such authority as the persons supporting it can give; there is no majority vote. What then can it do and what may be its value? The following suggestions may be hazarded.

In the first place, the publication both of the memoranda previously prepared and the more important speeches at the Conference will give a picture of the world situation, unrivalled in its range and authority, and have a value, impossible to estimate exactly, but in total very great, in educating and influencing the public opinion of the world,

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the conduct of those who direct industry, and the policy of Governments.

This result will be increased by the personal contact of the leaders in many spheres and countries secured at the Conference, and, at least equally, in the long work of the previous preparation. This incidentally, it may be remarked, is one of the main methods by which the League achieves its real results. It is not sufficiently recognised that, not only in the Council and the Assembly, but in some scores of temporary or standing expert committees, the leading personalities in work of every kind which has international reactions are meeting their "opposite numbers" and forming the personal relations which nothing can so effectively establish as collaboration in a common work. In the course of a few years, in each one of which some thousands of persons so collaborate, a very large proportion of those who are forming and directing policy, whether as statesmen, officials or the leaders in industry and finance, will have passed through this educative process. It will soon be scarcely possible for any statesman or official to take in his own country any decision with important international results, without the vivid sense of its external effects which the memory of his foreign colleagues on a League committee will give him. This network of committees of persons normally engaged in national work is indeed the essential mechanism of the League. Its own secretariat is only a kind of "coupling." The national administrations are linked together and themselves form the instrument of international work. The League does not attempt to govern its constituent States; it offers them an instrument by which they govern themselves. And the immediate work which is done by the committees so formed is not more important than its indirect effect in penetrating national administrations with the international point of view.

In the next place, it may be hoped that the discussions on the relation between economic tendencies and the peace

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of the world will at least make a beginning towards securing ultimately a code of recognised principles in economic policy.

Coming next to the more specific questions, the Conference will doubtless examine in detail the various forms of trade barriers which most impede the world's commerce. In this it will have the help of the valuable report of the International Chamber of Commerce, prepared after consultation with its National Committees throughout Europe and some other parts of the world. It may be expected that advocates of such ambitious ideas as a "Pan-Europe" tariff system will express their views and test the measure of sympathy which they command. But obviously no general agreement will be reached, and the discussion will proceed to detailed forms of tariff and prohibition systems with a view to discovering which are at once most injurious to the world as a whole and least advantageous to the countries imposing them. Certain general characteristics of the tariff system may also be treated with useful results. It is conceivable, for example, that the Conference may discover and express a collective sense that tariffs as a whole tend to be too high, too unequal and too unstable. The very people who in their own countries (where they must take as given factors in their problem the high tariffs of other countries) advocate the raising of their own tariffs, may well take this view when they survey the system as a whole. They may recognise that in this, as in so many other cases, individual wisdom is collective insanity. There is at least a growing agreement as to the evils of the *instability* of tariffs. A tariff in itself, even a high one, is in its effect not unlike a natural obstacle to which trade can adapt itself; but if it changes rapidly the result is bound to be dislocation and waste. This feature of tariff policy should be easier to remove as currencies become more stable, but for the time the evils of fluctuating and falling currencies have been followed by those of fluctuating and rising tariffs. There are also certain forms of tariffs, for

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example, "*tarifs de combat*" and discriminatory tariffs, which may be generally condemned. Agreement on such questions, if reached, will of course not find expression in immediate binding decisions, which the Conference will have no authority to take. Its essential value will be, first, that it will strengthen those who in each country are trying to modify commercial policy, and then that it will, through these means, facilitate the separate negotiation of commercial agreements.

The next subject of interest to be discussed will be the growth of "international industrial agreements," in their various possible forms (fixation of prices, limitation of output, division of functions, division of markets). Here it is possible that the developments in America, where the range of the territory covered is so great as to offer some analogies to international agreements, may suggest some useful principles, for it is said that the later American trusts present greater advantages and fewer dangers from the point of view of the public interest than those first formed. It is obvious that, under certain conditions, agreements between producers may secure very great economies, in facilitating large-scale manufacture, in reducing the loss caused by rapid changes in demand, in the elimination of certain wasteful forms of competition, in enabling the removal of certain tariffs, and that these advantages may be so great as, if fairly shared, to benefit all three parties concerned—the employers in higher and more stable profits, the workers in higher wages and the public in lower prices. It is no less evident that they present certain dangers of abuse. The leaders in cartelised or semi-cartelised industries may indeed concentrate their attention on effecting economies in production, on extending their sales through reduced prices; they may, as some have done, develop a sense of public service and a public spirit in their industries. Or they may turn to what is often the more tempting task of maintaining or increasing prices. Much depends upon the existence of an informed and

Conclusion

vigilant public opinion. It is possible that the Conference may do a work of great value in guiding this movement, as it develops, on to the best lines, by stating the conditions on which it can be recommended as in the public interest, and perhaps by helping the public, the consumers of the world, to watch whether these conditions are observed.

Another topic of current interest will doubtless be the differences between conditions in America and in Europe,* and the extent to which the greater prosperity of the former is due to methods or policies which could be imitated.

Lastly, there is a considerable range of special technical problems, of which we may take the need of securing greater uniformity in tariff nomenclature and classification as an example, in which the Conference may have a useful rôle. It cannot directly solve these problems, but if after its general review of the world situation it states that certain reforms are at once important and practicable, it may initiate the required special action to deal with them. Indeed, one of the most valuable results of the Conference is likely to be its effect in extending the range, and above all, increasing the motive power, of the normal and permanent work of the League's economic organisation.

Conclusion

This, then, in general outline is what may be expected from the Conference of May. If we regard the work which has preceded it as of no value except as preparation for some three weeks of discussion and the results of the Conference as no more than the resolutions with which it terminates, the result is bound to be disappointment and disillusion. But if we think rather of the permanent necessity of adjustments in the economic policies and developments of the world, and the part which a representative

* A special article dealing with this question will be found on page 242.

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world discussion can take in helping in this continuous task, we may well consider it one of the most important events of recent years. As the Preparatory Committee wisely states in the forefront of its Report, the "Economic Conference must be regarded not as an isolated event but as a stage in the continuous work of international collaboration in the economic sphere which had begun before the project of a general conference was launched and will continue when the Conference itself is over."

This work is indeed both illimitable and unending.

CHINA AND THE BRITISH PROPOSALS

THE events which have led up to the present crisis have already been described in *THE ROUND TABLE* and certain suggestions put forward with regard to the principles which should determine our attitude to the new China.* We do not therefore propose at this juncture to publish anything in the nature of a regular article on a situation which is shifting so rapidly. The dispatch of the British Memorandum is, however, too important a step to be passed over in silence. We therefore print a summary of its terms below. Two things, moreover, have happened since it appeared. First, a division of troops has been sent to protect British life and property in Shanghai; and, secondly, the Government has implemented its Memorandum by officially communicating both to Hankow and to Peking its readiness to do the following things :—

1. To recognise the modern Chinese law courts as the competent courts for cases brought by British plaintiffs or complainants, and to waive the right of attendance of a British representative at the hearing of such cases.

2. To recognise the validity of a reasonable Chinese nationality law.

3. To apply, as far as practicable, in British courts in China the modern Chinese Civil and Commercial Codes (apart from Procedure Codes and those affecting personal status) and duly enacted subordinate legislation as and when such laws and regulations are

* *THE ROUND TABLE*, No. 52, September 1923, p. 726; No. 58, March 1925, p. 276; No. 60, September 1925, p. 674; No. 63, June 1926, p. 534.

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promulgated and enforced in Chinese courts and on Chinese citizens throughout China.

4. To make British subjects in China liable to pay such regular and legal Chinese taxation, not involving discrimination against British subjects or British goods, as is in fact imposed on and paid by Chinese citizens throughout China.

5. As soon as the revised Chinese Penal Code is promulgated and applied in Chinese courts, to consider its application in British courts in China.

6. To discuss and enter into arrangements, according to the particular circumstances at each port concerned, for the modification of the municipal administrations of British Concessions so as to bring them into line with the administrations of the special Chinese administrations set up in former Concessions, or for their amalgamation with former Concessions now under Chinese control, or for the transfer of police control of the concession areas to the Chinese authorities.

7. To accept the principle that British missionaries should no longer claim the right to purchase land in the interior, that Chinese converts should look to Chinese law and not to treaties for protection, and that missionary, educational and medical institutions will conform to Chinese laws and regulations applying to similar Chinese institutions.

When communicating these proposals to Mr. Chen at Hankow on January 27, Mr. O'Malley, the British diplomatic representative, prefaced them with the following paragraph :—

When a satisfactory settlement has been reached in respect to the British Concessions at Hankow and Kiukiang, and when assurances have been given by the Nationalist Government that they will not countenance any alteration, except by negotiation, of the status of the British Concessions and International Settlements, His Majesty's Government will be prepared to concede at once, and on the lines indicated in the enclosure hereto, a part of what is desired of them by the Chinese Nationalist party. So liberal and generous a step cannot, in their view, be regarded otherwise than as an earnest of the fair and conciliatory spirit with which they are animated.

There was nothing very revolutionary about the Memorandum. The questions of both Customs duties and extra-territoriality should, under the Washington Agreement, have been dealt with long ago. At present, Chinese duties may not, under the treaties, exceed 5 per cent. Washington would have allowed $7\frac{1}{2}$ per cent. The delay in giving effect to the Washington Agreement was due, at first, chiefly

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to the French, who wanted to get the gold franc question settled, and later, to the chaotic state of China. Then Canton took French leave and levied the surtax of $2\frac{1}{2}$ per cent. on its own account.

Nevertheless, the Memorandum marked a new departure. In the past our attitude to China was, in the main, sensitive only to pressure from the British residents, merchants or missionaries. The result was spasmodic moments interspersed with lethargic periods. Throughout, in concert with the other Powers, Great Britain had, to a greater or less extent, intervened directly in Chinese affairs. For this attitude the Memorandum would substitute a policy. It recognises the desirability of restoring full sovereignty to China as soon as ever a national government can be created by the Chinese. That, too, it will be said, is nothing new. The principle was agreed to at Washington in 1922. But the Government's proposals, though based on that principle, go further than the Washington Conference went, and they also show the intention of our Government to take a line of its own. Hitherto we have been rigidly loyal to the concert of the Powers under Article 7 of the Washington China treaty. More than any other single cause, this has made impossible the elasticity that the changing character of the Far East demands. The Memorandum, it is true, took the form of an appeal to the Powers, and we have joined in their protest against the attempt of Peking to levy the surtaxes without their concurrence, just as we did when Canton levied them, and no doubt for the same reason. But the publication of the Memorandum precludes a return to the old rut, and the proposals to Canton and Peking are a definite step in the new direction. At the moment of writing our only active supporter among the great nations appears, oddly enough, to be Italy—France prefers to wait and see. So does Japan. America is sympathetic but inclined to delay till someone can speak for all China. For the other novelty in the British Memorandum, and perhaps the most striking one, is our readiness to deal with North

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and South on the same footing, both as regards surtaxes and the other things mentioned in the British proposals, until there is a central government which can speak for the whole country and enable us to complete our concessions. The North represents the old conservative and the South the new radical China.

The British move naturally evoked criticism, but as is usually the case with liberal measures proposed by a Conservative Government, it has had a good press. Mr. Ramsay MacDonald has been troubled about the dispatch of military force, and though Labour opinion is divided, a resolution was moved in the House by the Labour party, urging its diversion and recall, and a sympathetic message sent to Mr. Chen by the National Joint Council. But the Memorandum was blessed by both parties of the Opposition and the need of taking early steps to protect British life and property in Shanghai was very generally recognised. Our countrymen went there under the protection of well-defined treaties, and the troops were asked for by our representatives on the spot. The doubts of the man in the street as regards the offer turned mainly on the question of its timeliness. Why did we wait till now to make our concessions? Was it any use offering them at a moment when they would more likely than not be set down to "cold feet"? Would they not merely lead to further demands? In the end we should surely find ourselves pressed to surrender everything, possibly even Hongkong itself. Was it not absurd to let both the warring factions take the surtaxes? Would they not be just so much fresh fuel on the bonfire? If Customs dues attracted the combatants to the rich ports before, would not the surtaxes make them more of a bait than ever? Peking, moreover, still claims to be the central government, with authority, however shadowy, over far more of the country than Canton. Shall we not offend the North by this new idea of backing the field? And so on. Then the question arose, were the Customs to obey the Chinese orders and collect surtaxes or to wait till the Powers

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agreed? The dismissal of Sir Francis Aglen brought home to the British public the cruel dilemma in which the British Customs officials were placed, and the fall in Chinese bonds showed the extent to which the country's credit depends upon the Customs service. It has hitherto operated throughout China, but as a further complication Canton will not recognise Sir Francis Aglen's successor, or any Peking appointees. Doubtless, too, the proposed concessions, though they are not unconditional, will mean a serious change for the British merchant in China. Lastly, good or bad, Mr. Chen turned the offer down.

The answers given to these criticisms may be put briefly as follows. The inconveniences and difficulties of the moment are admitted, but it is a question of our relations with China for the next 100 years. We are there not as Imperialists, but as shopkeepers. The British trader, it is true, may suffer, but British trade has in the long run enormously more to gain by a policy of persistent friendliness than by sticking to the privileges of a cramped, out-of-date system. Imagine the advantages, should the whole of the new China—the largest market in the world—be thrown open to our commerce. It is sometimes the best policy to burn one's boats. If, moreover, there are sinister influences at work against us, is not a persistently friendly line the most difficult one for them to meet? The negotiations have not been abandoned at the moment of writing, and the last report was that a provisional arrangement had been arrived at, subject to a general settlement of all points in dispute being effected, that the Hankow Concession would be returned to us and administered by a Sino-British Council on the principle of equal rights for both British and Chinese. Mr. Chen further reaffirmed the assurance of his government's desire to settle everything by negotiation and disclaimed any intention of using force. On our side, we have undertaken, if an agreement on all the disputed points is signed,

- (1) to co-operate whole-heartedly in carrying it out;

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(2) to keep all troops within the Concession except in the case of grave emergencies ;

(3) to land only such troops as, in the opinion of our advisers on the spot, are immediately necessary for protection, *i.e.*, only those coming from India, and to keep the rest in Hongkong, so long as there is no new danger ;

(4) to observe strict neutrality in the Chinese civil war.

As regards the Labour strictures, the necessity for military measures has no doubt added to the complications. First the North protested, then—some say as a consequence—the South followed suit. The dispatch of troops, at all events, supplied the Canton extremists with the reason put into Mr. Chen's mouth for his refusal to accept our offer, though he also complained that we had made it to the North as well. It is asked why the other Powers have done nothing. The answer to that is that Japan is only a couple of days away for troopships, and one or two of the other Powers are taking certain steps. No doubt the rest are content to let us act as policemen. The waiting game was, however, impossible for us. We have far more lives at stake in Shanghai than any of them—9,300 was the figure given in the House of Commons—and at this distance it would have been madness after the dead set against Great Britain and what happened at Hankow, to delay precautions. Our people can be moved from the smaller Concessions—there are another 6,000 of them settled about China—but the evacuation of so large a centre as Shanghai would be out of the question. The smallness and the composition of our force sufficiently disprove Mr. Chen's charge of aggressive designs.

The dispute could not have been referred to Geneva, for there is nothing at present to refer. The Government, however, on February 8, wrote to the Secretary-General that it was ready, if an opportunity should arise, to invoke the good offices of the League.

To return, however, to the offer. There are other reasons given besides the material ones already mentioned.

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The old treaties are out of date. This was admitted when our Foreign Minister offered to meet China half way over a year ago. We were then all waiting for a national government to emerge. Delay was, however, found to be no longer possible. "The demand for treaty revision" had, we are told, "become so insistent and so reasonable," that it was decided "to try to negotiate with the contending Governments." It must be remembered that want of political cohesion has never affected the solidarity of the Chinese as a people. Government is not to them what it is to us. Towards the foreigner they are always one. And whatever their dissensions, they agree in their resentment at the failure to deliver the goods promised at Washington. The real justification for our policy was summed up by Sir Austen Chamberlain as follows: "It is the right and the only right thing to do."

APPENDIX

Summary of the British Memorandum

The Memorandum, which is dated December 16, 1926, reminds the Powers of what was promised China at Washington as long as five years ago. The idea was to assist the political and economic development of China. She was to be allowed to increase her treaty tariff, and a Commission was to amend the extra-territoriality system. The Tariff Commission did not unfortunately meet for four years, and then the situation had completely altered. Eventually the negotiations ended because there was no longer a Government in China with which to treat. The Extra-territoriality Commission has reported, but there is now no authority capable of carrying out the reforms it suggests or of entering into engagements for all China. Our Government, like the other Powers, has never taken sides in the Chinese civil struggles, and it never means to do so, but it expresses its sympathy with the nationalist movement which has accompanied the political disintegration of China. It then suggests a new policy: The Powers should issue a statement setting forth the facts and declaring their readiness to negotiate on treaty revision, etc., as soon as there is a Government to treat with. In the meantime, a constructive policy in harmony with the spirit of the Washington

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Conference, but developed and adapted to meet the altered circumstances of the present time, should be followed. In the first place, the Powers should show their readiness to recognise China's right to tariff autonomy as soon as she herself has settled a new national tariff, and no foreign control, either in the economic or political sphere, should be forced on her. Any intention of doing so should be disclaimed. China should be required to respect the sanctity of treaties, but the Powers should recognise the essential justice of her claim to treaty revision and, as the substitution of new treaties is at present impossible, the strict letter of the old treaties should not be insisted upon. While uncertain conditions continue an expectant attitude is counselled. Any reasonable proposals from any Chinese authorities, wherever situated, should be sympathetically considered, even if contrary to the strict letter of treaty rights, in return for proper treatment of foreign interests. The Powers should not wait for the establishment of a strong central Government. The principles of their policy should be applied to the realities of the situation.

Certain recommendations of the Extra-territoriality Commission, and other reforms not dealt with by it, but coming under the head of extra-territoriality, can at once be given effect to even now. The immediate and unconditional grant of the Washington surtaxes is particularly advised, notwithstanding the failure of the Tariff Conference (which met in Peking, October 26, 1925) to arrange the grant of these surtaxes.* The Conference was for placing the proceeds under foreign control and applying a large part of them to the liquidation of the unsecured debt, an idea which the British Government had always opposed, as its report to the Consortium of Powers as early as 1923 showed. In its view, the money from these surtaxes should be spent on things that would benefit China, such as railways, and social and economic reforms, especially the abolition of *likin*. It was against making the consolidation of the unsecured debt one of the purposes of the Tariff Conference. That would only help any faction in power in Peking to indulge in more ruinous borrowing. It was also against foreign control being extended over additional revenues resulting from tariff autonomy. China was no longer in a mood to submit to such control. Nor is this idea new. As long ago as May 28 last, the British Government proposed to the United States that the surtaxes should be levied and no guarantees or conditions exacted. Now Canton has actually levied them. Our Government joined

* By the China Customs Treaty, signed at Washington in February 1922, the Powers promised to grant China certain tariff increases commonly known as the Washington surtaxes, "for such purposes and subject to such conditions" as the Tariff Conference might determine.

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in the protest, but it did so only for the sake of solidarity. It regrets it did not press its views more insistently before, and it now urges the Powers to authorise the immediate levy of the Washington surtaxes throughout China. Such a levy would, it is admitted, be against our treaty rights, but the latter must be adjusted to the equitable claims of the Chinese. Protests should be reserved for cases of repudiation or attacks on the legitimate and vital interests of foreigners, and then the protests ought to be backed by *united* action. The first step in the new policy recommended should, the Memorandum says, be the immediate unconditional grant of the surtaxes, and the proceeds would not necessarily be sent to the custodian banks at Shanghai, but where the competent Chinese authorities decide.

THE UNITED STATES AND NICARAGUA

I.

THE writer seems to remember a good story about the late Queen Victoria. A British minister had been publicly slighted in Bolivia. After indignantly inquiring the whereabouts of Bolivia and being shown its location on the map, the story ran, she dismissed the problem with a truly regal gesture and the statement "For us, Bolivia does not exist."

It is regrettable that President Coolidge lacks authority to make a similar adjustment of the embarrassing situation in Nicaragua. But for the President of the United States, for those associated with him in the Republican Administration, and indeed for the man in the street, Nicaragua indubitably exists. Moreover, it is in some respects typical of other nations lying south of the Rio Grande and known on the most unimpeachable authority to be equally existent.

Nicaragua is a republic of Central America bounded on the north by Honduras, on the east by the Caribbean, on the south by the republic of Costa Rica and on the west by the Pacific Ocean. It has a population of rather over half a million and an area of 49,200 square miles. That is to say that in size it is a trifle larger than the State of New York and only a trifle smaller than England without Wales. So much one may learn authoritatively from the *Encyclo-*

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pædia Britannica. Scrutiny of a map of Central America reveals the further geographical facts that it is separated from the highly Americanised republic of Panama by only one or two hundred miles of the republic of Costa Rica on the south, and that only some three hundred miles of Honduras and Guatemala separate it from the highly un-Americanised republic of Mexico on the north. It holds entirely within its borders the great alternative inter-oceanic canal route through Central America. This route, which lies near the southern frontier of Nicaragua, was the scene of actual operations by private American enterprise during the years 1889 to 1893. Bankruptcy of the construction company halted the work at that time, but American interest in the canal has never ceased and in 1914 the United States acquired by treaty from Nicaragua for a consideration of three million dollars the exclusive proprietary rights necessary for the construction, operation and maintenance of the canal. By the same treaty the United States acquired a lease for ninety-nine years with option of renewal for the same term of the Great Corn and Little Corn islands in the Caribbean off the Nicaragua coast, and of a naval base on the Pacific Coast in the Gulf of Fonseca whose shores are bordered upon by Salvador, Honduras and Nicaragua.

The political facts are not quite so easy to come by as the geographical. But they are substantially as follows :

In 1910, as a result of a revolution, Senor Estrada became President and Senor Adolfo Diaz Vice-President of the Nicaraguan republic. The merits of their cause are for our present purpose neither here nor there. Somewhat later Estrada resigned and Diaz as Vice-President succeeded him. In 1912 the Diaz Government sought a loan from the United States and in so doing brought about a situation which threatened a new revolution in Nicaragua. The United States intervened with gunboats and a large force of marines and prevented or put down the revolution. From that time until 1925 a legation guard of American

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marines was kept in the capital of Managua "to protect American lives and property." This is stated to have been with the "consent" of the Nicaraguan Government. It was under these circumstances, with a Nicaraguan Government which probably could not have been held in power in any other way, kept in power by American marines, that the United States negotiated with Nicaragua the treaty of 1914 to which reference has already been made, whereby the United States secured a proprietary interest in the canal site and in the places necessary for its naval defence. Honduras and Salvador, whose interests in the Gulf of Fonseca were at least equal to Nicaragua's, protested against the treaty to the Central American Court of Justice, which sustained their opposition. But nobody bothered about the opinion of the Central American Court of Justice, which soon afterwards went out of existence.

In October 1924 a popular election was held in Nicaragua under an Act said to have been drafted by American experts. It was held under the supervision of a disinterested American citizen who characterised it as a fair and full election. In this election 48,400 votes were cast for Carlos Solorzano, Conservative, as President, and Juan Sacasa, Liberal, as Vice-President; 28,700 votes were cast for General Chamorro, as President; a third party received 7,800 votes. The President- and Vice-President-elect were duly recognised by the United States and by the other Central American republics as *de jure* officers of the republic. No question has been raised by anyone as to the propriety of their recognition. The American marines were withdrawn from the country in August 1925. Two months later disturbances broke out between General Chamorro and the Solorzano Government. Chamorro succeeded in capturing a fortress dominating the capital and in dictating the terms of peace. Chamorro men were substituted for Solorzano men in the Cabinet; eighteen Solorzano members of Congress were expelled on the pretext that their election had been fraudulent and their

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places were filled by their defeated opponents. Sacasa fled the country. On January 16, 1926, Solorzano's resignation as President was forced from him and Chamorro took office. Costs in the comparatively modest sum of ten thousand dollars followed this forcible verdict.

Neither the United States nor the other four Central American Powers recognised General Chamorro as President. Notwithstanding, he continued to hold the office of President and to exercise its functions until October 30, 1926. Meantime in May 1926 a revolution broke out which, after preliminary reverses, resulted in putting the east coast into the hands of the "Liberal" revolutionists. Pursuant to requests upon the United States by its citizens for protection, Admiral Latimer with war vessels of the special service squadron of the United States Navy was sent to Nicaragua at the request of the State Department in September 1926. In the following month, at the request of both parties, Admiral Latimer brought about an armistice in order to permit a conference. This conference came to nothing and hostilities were resumed on October 30. On the same day General Chamorro resigned and turned over the executive power to Sebastian Uriza who had been named as Designate by the Congress composed of the eighteen unelected members. Uriza was never recognised by the United States. He, however, restored to the Nicaraguan Congress the eighteen members who had been expelled from their seats. On November 10, 1926, Congress with the restored members met and designated Adolfo Diaz as First Designate. This was by a vote of 44 to 2 over Solorzano, fourteen members being absent and seven present but not voting. Diaz was inaugurated on November 14, 1926.

All this time Senor Sacasa was in Guatemala. Article 106 of the Nicaraguan Constitution provides that *en caso de falta absoluta ó temporal* of the President the executive power shall devolve upon the Vice-President and *en defecto* of the Vice-President upon the person designated by the

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Congress. On November 17 the United States accordingly recognised President Diaz as the *de jure* President on the ground that his election was entirely constitutional under Article 106 of the Nicaraguan Constitution, President Solorzano having resigned and gone to California, Vice-President Sacasa having fled and sought refuge in Guatemala. Immediately following his inauguration, President Diaz sought the support of the Government of the United States, complaining that he "found the republic in a very difficult situation because of the attitude assumed, without motive, by the Government of Mexico in open hostility to Nicaragua." These requests for support he has frequently repeated.

In December 1926 Sacasa sought to re-enter Nicaragua from the north and repossess himself of the authority of which, by force of arms and against the peace of Nicaragua, he had been deprived. Admiral Latimer, pursuant to orders from Washington, landed marines and declared most of the territory occupied by Sacasa to be neutral zone, thereby cutting off the base of supplies of the Sacasa forces. He also declared a censorship in the territory.

Senor Diaz, who was the designed or adventitious beneficiary, as the case may be, of this protection of American interests, is a man of interesting history. Born in 1875 of Nicaraguan parents living in exile in Costa Rica, he entered Nicaraguan affairs when in 1909-1910 he participated in the Estrada revolution against Zelaya. At that time he was a clerk employed by an American oil company at a stipend of one thousand dollars per year. Nevertheless, he is said to have contributed six hundred thousand dollars to the "campaign" or revolution fund of his then colleague, President Estrada, whom he later succeeded. There can be no doubt that the support which as President he received from the United States Government was his political salvation, and probably it saved his life as well. There can be scarcely less doubt

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that he has been for many years the favorite American pawn on the Nicaraguan chessboard.

It will be observed that the position of the United States in recognising Senor Diaz as *de jure* President of Nicaragua on the occasion of his latest accession turns on what may well be deemed a nice constitutional point under section 106 of the Nicaraguan Constitution. We may concede for purposes of argument what seems not altogether clear, that President Solorzano's resignation, even though procured by duress, created a vacancy (*falta absoluta*) in the office of President to which Sacasa succeeded. But did Sacasa's flight from the country under the circumstances create a second vacancy (*defecto*)? In other words, does the Spanish word *defecto* as employed in the Nicaraguan Constitution mean simply the physical absence from the seat of authority of the Vice-President who has succeeded to the Presidency, or does it comprehend merely absence caused by death, physical disability or voluntary abstention as opposed to acts caused by political opponents, the restraint of princes or American marines?

It might be presumptuous for a foreigner to attempt the correct solution of this constitutional question; but it seems at least arguable that enforced absence from the country does not constitute a *defecto* within the meaning of the Nicaraguan Constitution, or if it does, that such a *defecto* ceases once the Vice-President returns to Nicaraguan soil, ready, willing and eager to assume the duties of the post to which he was fairly and honestly elected. It therefore seems not unreasonable to say that, as a matter of abstract law, the United States was wrong in "recognising" President Diaz, and Mexico right in refusing to recognise him and recognising the title of Sacasa. Confronted with what appears to be a genuine legal and constitutional doubt, the American State Department, instead of supporting either pretender, might have insisted upon a new election and employed its marines for the purpose of ensuring a free and unfettered choice at the polls.

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However the American Government might or should have conducted itself, it is not remarkable that its actual conduct of affairs, which amounted to giving support to its old favorite Diaz, was sharply criticised. Newspapers broke out in the most unrestrained condemnation. It was said that American policy was being dictated by selfish oil men, by a fantastic and over-suspicious anti-Mexicanism, by a cynical and relentless Imperialism seeing in Nicaragua only a canal and American money. The traditional policy of safeguarding American life and preserving the property and rights of neutrals was not sufficient to satisfy the clamour. In vain did President Coolidge on December 31 use his high personal prestige and authority in bespeaking from the press "proper presentation" of the nation's Latin American policy and "correct" representation of the American attitude. There was nothing, he explained, which called for a "divided American opinion," and it would be unfortunate for foreign Governments to feel that our opinion was divided. But American opinion is divided and the newspapers have resented the suggestion that they should be less critical upon a matter of capital interest and importance. They demanded to be told the bases of the Administration's conduct.

II.

ON January 10, under pressure of this vehemently adverse comment, President Coolidge sent to Congress a formal message defending the course of the Administration.

After a detailed review of the facts he pointed out that the United States in common with the Central American countries had placed an embargo on the shipment of arms and ammunition into Nicaragua. The Mexican Government had not only refused in an evasive manner to participate in the embargo, but munition ships had been fitted out in Mexican ports with munitions bearing evidence of having

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belonged to the Mexican Government. Ships were fitted out "with the full knowledge of, and in some cases with the encouragement of, Mexican officials, and were, in one instance at least, commanded by a Mexican Naval Reserve officer." When, at the end of November, Sacasa re-entered Nicaragua and placed himself at the head of the insurrection, the Mexican Government immediately recognised Sacasa as the *de jure* President. The United States Government upon learning of the shipments of arms and munitions from Mexico to Sacasa, withdrew its own embargo so that Diaz would be free to purchase munitions in the United States. Not only American citizens but the British chargé d'affaires at Nicaragua and the Italian ambassador at Washington sought the protection of the American forces for themselves and their fellow-countrymen in Nicaragua.

Moreover, President Coolidge reminds his countrymen in the most illuminating part of his message that the United States is interested to the extent of three million dollars in the Nicaraguan canal route. One million dollars of guaranteed customs bonds are held by American citizens.

There is no question (said the President) that if the revolution continues American investments and business interests in Nicaragua will be very seriously affected, if not destroyed. The currency, which is now at par, will be inflated. American as well as foreign bondholders will undoubtedly look to the United States for the protection of their interests. . . . The proprietary rights of the United States in the Nicaraguan canal route, with the necessary implications growing out of it affecting the Panama Canal, together with the obligations flowing from the investments of all classes of our citizens in Nicaragua, place us in a position of peculiar responsibility. . . . It is not the desire of the United States to intervene in the internal affairs of Nicaragua or of any other Central American republic. Nevertheless, it must be said that we have a very definite and special interest in the maintenance of order and good government in Nicaragua at the present, and that the stability, prosperity and independence of all Central American countries can never be a matter of indifference to us. The United States cannot, therefore, fail to view with deep concern any serious threat to stability and constitutional government in Nicaragua tending toward anarchy and jeopardising American interests, especially if such state of affairs

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is contributed to or brought about by outside influences or by any foreign Power.

Public opinion had scarcely had an opportunity to crystallise upon the President's utterance when Mr. Kellogg, the Secretary of State, issued two days later a public statement to the Senate Committee of Foreign Affairs which, far from gaining confidence and support for the Administration's policy, has subjected it to further criticism.

The point which Secretary Kellogg chooses to labor is the menace of Communism to the American Government by contact of Moscow through Latin America. Under the caption of "Bolshevik Aims and Policies in Mexico and Latin America," the Secretary asserts that the Bolshevik leaders "have set up as one of their fundamental tasks the destruction of what they term American Imperialism as a necessary requisite to the successful development of the international revolutionary movement in the New World." There follow lengthy excerpts culled by diligent civil servants from speeches made and resolutions adopted in Soviet Russia.

A resolution of the third Congress of the Red International of Trade Unions held July 8-22, 1924, sets forth its hope of a Latin American base against American Imperialism. An unnamed representative of the American Communist party speaking at the session of the Enlarged Executive Committee of the Communist International on February 4, 1926, went so far as to say: "The Communist party must become the defender of the oppressed peoples of Latin America." In the thesis adopted at the 58th Session of the Enlarged Executive Committee of the Communist International, it is stated that "Latin America can and must become a basis of support of the liberation movement against Imperialism." A resolution adopted at the Sixth Enlarged Plenary Session of the Executive Committee of the Communist International at Moscow on March 15, 1926, points out that the working class and peasantry of

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Latin America will play a tremendous rôle in the "future struggle for the overthrow of the yoke of the bourgeoisie of the United States." A report on "anti-Imperialist work" made at the Fourth Convention of the American Workers' party in Chicago on August 21-30, 1925, sets forth a good deal about the comrades. Comrade Johnstone had attended the convention of the Pan-American Federation of Labor at Mexico City in November 1924. Comrade Wagenknecht had visited the Philippines. Comrade Gomez appeared as a fraternal delegate from the Chicago Communists to the Communist Convention in Mexico. The All-American Anti-Imperialist League has a special secretariat located in Mexico City and is publishing both manifestoes and leaflets. A long resolution was adopted by the Central Executive Committee of the Workers' party on November 12, 1926. This committee has found striking evidences of the widespread movement for Latin American unity against Wall Street. Tchitcherin himself said at the One Hundred and Eleventh Session of the Union Central Executive Committee in March 1925:—

The Soviet Republic is extraordinarily popular in Mexico. Our plenipotentiary representative, Peskovsky, met in Mexico the most enthusiastic reception, receiving constantly from all sides expressions of the most friendly, even enthusiastic, attitude toward the Soviet Republic. Mexico gives us, thus, a very convenient political base in America for the development of our further ties.

A Mexican Labor Deputy, Ricardo Trevino, speaking in the Mexican Chamber of Deputies in September 1925, spoke approvingly of Communist work in Mexico against the United States. The Central Committee of the Mexican Federation of Labor, by direction of its seventh Congress, directed a communication to the Soviet Minister. In this communication, however, the representative of Russia in Mexico was informed that the Mexican labor movement "maintains the principle that the workers of each country must be organised in accordance with their opinions and necessities, and that no nation has the right to impose or

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to lay down for another the doctrine which must control its activities." Surely this is not so horrible. It might almost have come from a Labor Day speech by President Coolidge. And the last gun in the Kellogg broadside blows out its breech-block and wounds the gunner. Because in a resolution adopted on the sixth day of March, 1926, at the Seventh Annual Convention of the Mexican Federation of Labor, it is urged: "That a courteous invitation be extended by the Central Committee to the diplomatic representative of Russia accredited to Mexico so that his office *may abstain from lending moral and economic support to the so-called radical group, enemies of the Mexican Federation of Labor and of the Government.*"

Whatever one may think of the Nicaraguan policy, Secretary Kellogg's document in its defence bears the marks of having been hastily thrown together from miscellaneous data taken from some file in the Department of State, probably indexed under Communism-Latin America. It may strike terror into the hearts of those timid Americans who look under their beds for Communists every night before they retire, but as the responsible statement of the basis for the foreign policy of a peaceful nation it is highly unsatisfactory. When not so many years ago Secretary Kellogg, as one of the leading lawyers of the trans-Mississippian Bar, was making his reputation as a special prosecuting attorney "busting trusts," he doubtless knew that one could not convict X of participation in a conspiracy by showing that A, B, C, D and E would have liked him to join. And certainly the Secretary's indictment of Latin America goes scarcely further than to show that she was ogled by the Soviet. Perhaps after all the Mexicans were not so extraordinarily pleased with Comrade Peskovsky as Mr. Tchitcherin said to his fellow-Communists. Mr. Tchitcherin could hardly have spoken less favorably of his emissary. There is nothing to show what the Mexicans thought of him except that they did not want him to lend "moral and economic support to the radical group"—a not unlaudable

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sentiment. The only direct evidence from Mexico which the Secretary of State divulges is that that nation shares the desire of other nations to be let alone, not to be bribed or browbeaten or bullied.

Is there any American Imperialism menacing Latin America? Is Wall Street antagonistic to its independence and security? Does its peasantry feel "the yoke of the American bourgeoisie"? It ought not to be difficult for the Government at Washington to give the lie to all this conventional claptrap from enlarged plenary sessions. But the landing of marines is at least a dubious method of performing this wholesome task. To show the Communists of Moscow and Nicaragua that we are not Imperialists we make a few of the very same gestures that we would make if we were. In other words, Secretary Kellogg's policy seems open to the objection, first, that it is not based on any adequate knowledge of Nicaraguan constitutional law or Nicaraguan Communism or Nicaraguan public opinion; second, that it is not well conceived upon the facts as at present understood or misunderstood; and, third, that it is against the traditional American maxims of non-intervention.

Moreover, one cannot suppress the feeling that the Secretary's defence of his Nicaraguan policy is characterised either by a sort of intellectual indolence or by genuine inability to treat seriously a serious question. Ever since the War, politicians, preachers and professional lecturers, the hounds of righteousness and the children of Chatauqua, who have gone up and down the United States to preach a gospel or to carry a message when they had no particular gospel to preach or message to carry, have had two infallible resources. One has been Rum and the other Bolshevism. An experienced public speaker with nothing to say can always lash one of these demons around the stump and win the applause of enthusiastic audiences who honestly love sobriety and capitalism and do not want to be bothered with having to listen to a lot of new and

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unfamiliar and possibly distasteful ideas. They are always willing to welcome the public orator who comes to reveal the dangers which only they the vigilant understand.

That there is in fact a good deal of Communist agitation in the United States no one denies. There is some labor unrest, though probably as little as ever in the history of the country. There is some intellectual sympathy with the Bolshevik Government, though there is incomparably more with Fascist absolutism. In a nation, placing its capital wealth at half a trillion dollars, with wealth probably as evenly distributed as it has ever been in complex societies, with the automobile, the telephone, the radio and the porcelain bathtub working down into the poorest classes, the actual menace of Communism or Bolshevism to characteristic American institutions seems to the writer relatively slight. The very popularity of these anti-Communist speakers is in itself some evidence of the fact. And less than the insidious danger of Communism from within is the danger of Communism entering from the Latin American countries, which send few or no immigrants into the United States.

III.

IT is impossible, however, for one to understand the attitude of the United States in Nicaragua without comprehending the general outlines of what is sometimes called our Caribbean policy. The statement of President Coolidge and the message of Secretary Kellogg make it abundantly clear that Mexico is the key to the situation in Nicaragua. To attempt an extended consideration of the present state of affairs in Mexico would be far beyond the scope of this article. It appears at the moment in two phases, a religious phase which threatens the overthrow of the Mexican Church and an economic phase which threatens to invalidate American titles to oil and mineral lands in Mexico.

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The persecution by the Calles Government of the Roman Catholic Church in Mexico has aroused the indignation in America not only of some eighteen million Roman Catholics but of millions of plain Americans, who, without strong religious feelings, are bred in the tradition of religious liberty and the sanctity of Church property. Different in a sense but not dissimilar is the resentment felt by Americans who regard as plainly confiscatory that provision of the Mexican Constitution which purports to abolish retroactively the freehold title to oil lands in Mexico and to substitute therefor mere concessions for a term of years. Some idea of the international importance of this question is gained when it is understood that credible writers assert that no less than two-thirds of Mexico's wealth is in the hands of foreign capital. While to some people arbitration would offer a solution for this difficulty it is undoubtedly true that others believe in and advocate resort to force as the only way in which Mexico may be made to feel the justice of our wrath. In a sense, of course, the American oil interests may be personified as "Wall Street" or "Big Business." But such expressions are crude, superficial and misleading. Everyone in the United States who uses gasoline in an automobile, in a farm tractor or a fishing boat, is affected and concerned. Here is the actual or potential American "Imperialist" and it is foolish to ignore him.

As a matter of fact the record of the United States in Central America has been largely one of intervention or "Imperialism" if one wishes to use that invidious word. Everyone knows of the semi-violences by which President Roosevelt made possible the Panama Canal. A recent treaty between the United States and Panama practically constitutes that republic a military protectorate of the United States. The record of the United States in Nicaragua is definitely one of intervention. We have secured the stability of Nicaragua by supporting one faction against another and the actual cost in dollars and cents has been trivial.

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The intervention of the American marines in Haiti is a familiar enough chapter in recent history. Competent military and naval experts point out that with highly trained troops and our superior personnel, we could intervene in Mexico, support some of the local leaders, train a native constabulary and give that country the best government she has ever enjoyed. This is the process which people probably have in mind when they advocate, as they often do, "cleaning up the Mexican situation."

To this bloc of American opinion, the violation of the formulæ of democracy brings no shudder. They take the pragmatic view that democracy in Latin America has never been democratic—that, in fact, it has never worked, that in some of the richest nations of the world, revolution has been both a principal crop and a popular pastime and is still in favor, that in bringing stability to those countries we do them no injustice though we come by the sword. We shed no blood or practically none, and though our only right is might, it is the might of beneficence and not of tyranny. It is, if you will, dollar diplomacy and dollar Imperialism, but the dollars are not all for American pockets. The Mexican and the Central American will get his share of the money and his first taste of law and order. There is no reason to feel surprised at this bald statement of the "Imperialist" view. It is a rather refined development of the philosophy which governed the Great Powers throughout the nineteenth century and left Africa a patchwork of protectorates. In this connection one recalls the language of Sir Charles Napier, who refers in his diary to the annexation of Scinde as "a very advantageous, useful, humane piece of rascality." It is regrettable that the language of Imperialism has become not so much less common as more euphemistic. The last part of President Coolidge's statement is a good example of this. We will never, of course, think of intervening in Nicaragua, but we must answer for the maintenance there of order and good government. This is perilously near to nonsense. It is absurd to think

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that we can "stabilise" Nicaragua or the "banana republics" of Central America without intervening and establishing what are in effect military protectorates. And if we are going in for the stabilisation of the Caribbean countries, why not be logical and stabilise China, which needs it as badly? Why one policy for the Americas and another for Europe, Asia and Africa? If we are too much afraid of involvement in world affairs to join the League of Nations, why do we go on so blithely sending marines to the Spanish Main?

It may be suggested that the United States has a more intimate relation to the other American republics than it has to the nations of the Old World. It is true that under the Monroe Doctrine we have assumed the rôle of protecting the nations of America from every act of aggression by the nations of Europe and Asia. But the Monroe Doctrine has never been carried to our sister republics. It is one thing to keep a German colony out of Nicaragua and another to take the part of one pretender to the Nicaraguan presidency against the rival pretender.

Upon President Coolidge's own statement, it is difficult to reach any other conclusion than that we are violating our well-established maxims of public policy for the sake of saving American dollars and an American canal, that we are doing what the nations of Europe have done again and again, under the censorious eyes of this continent, and that we are drifting into precedents which might commit us definitely to intervention and the "stabilisation" of Central American affairs whenever American commercial interests demand it. Furthermore, the policy concedes the principle that small and militarily insignificant nations, if conveniently located geographically, are to be viewed in a different category and treated on a different basis from great and powerful nations. The United States never owned an inter-oceanic canal in Russia, but American nationals certainly have many times more millions in Russian Government bonds than are ever likely to be tied

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up in Nicaragua. Yet we did not land marines on the Prospekt Nevskiy in 1917 or join the banners of Koltchak or Denikin in restoring "constitutional" government to Russia. How far are we travelled from the days of self-determination !

It may be possible to exaggerate the consequence of the Nicaraguan episode ; and some of the leader writers of the last few weeks may live to look back upon their language as intemperate. The fact remains that the challenge to Republican foreign policy has been the sharpest that the Coolidge Administration has had and constitutes in our foreign affairs the outstanding event since the Conference on the Limitation of Armaments. To hazard predictions would, of course, be dangerous. There is already talk of arbitration in the air and the particular crises in Nicaragua and Mexico may shortly cease to be critical. But the clash of opinion is only a new phase of the old controversy between the old Imperialism and Wilsonian idealism. We shall see it again, and very likely the Wilsonian idealism will come off second best. Nevertheless, Mr. Coolidge and his advisers will probably be rather more wary in the immediate future about the debarkation of marines. They must not expect the press or public opinion to be altogether satisfied with "stability" and the "protection of American interests." Certainly we are not going to take into our bosoms the oxymoron "Stabilisation without Intervention."

United States of America.

January 1927.

INDIA : THE RIDDLE OF POLITICS

I. THE ELECTIONS

THE last article from India was written on the eve of the elections for the third Legislative Assembly and Provincial Councils. The elections were unusually important for more than one reason. In the first place, the legislatures to which they were about to return members will be the last legislatures to be elected before the formation of the Statutory Commission of 1929, which is to review the working of the Montagu-Chelmsford Reforms and report "*as to whether and to what extent it is desirable to establish the principle of responsible government or to extend, modify or restrict the degree of responsible government then existing (in British India), including the question whether the establishment of Second Chambers of the local legislatures is or is not desirable.*" Thus a very heavy responsibility rests on all those who have been returned to the Legislative Assembly or to the various provincial Legislative Councils, because the members of the Statutory Commission are bound to be influenced very largely by what they see going on under their eyes.

Another reason for the importance of the elections is connected with the foregoing. Up to the very moment of the elections, and indeed up to the moment of the writing of this article, the policy of the Swaraj party was and is somewhat doubtful. Readers of THE ROUND TABLE are well aware of the fluctuations in the fortunes of this

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party during the past two or three years. They know how, after boycotting the first Assembly and Councils, its members entered the second as the strongest single party in the Legislative Assembly and in most Provincial Councils, with the determination to bring the working of the reformed constitution to a standstill. Only in Bengal and in the Central Provinces were they able to accomplish their object, and their success in these two provinces proved to be one of the main causes of the movement which, at the end of 1925, split the Swaraj party from top to bottom, causing many of its ablest men to leave it and establish another political group under the title of Responsive Co-operators. It was also one of the chief reasons for the undeniable change of feeling which took place in the constituencies with regard to Swarajist tactics and Swarajist policy—a change which expressed itself in impatience of mere obstruction and a demand in many quarters for something constructive to be accomplished. The dismal fiasco of the “walk-out” of March 8, 1926, has already been chronicled in these pages* and was the last desperate move of the Swaraj leaders to recover by a spectacular gesture the sympathy of the Indian public. Nothing could demonstrate more eloquently the utter failure of this gesture than the return of the Swarajists to the legislatures later in the year when the Swarajist leaders found themselves in an unpleasant dilemma. The doctrine of Responsive Co-operation, that is, of co-operation with the Government of India when the latter's actions were clearly conceived in the true interests of India, is on the whole the most popular doctrine in the country, and it is well known that some important members of the Swaraj party believe that serious attempts should be made to reunite its die-hard and Responsivist wings even at the cost of substantial concessions to the latter. Many people in close touch with Swarajist opinion believed

* THE ROUND TABLE, No. 64, September 1926, p. 774.

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that these concessions would be made and that the party would be reunited on a platform differing in no essentials from that of the Responsive Co-operators. However, nothing had been decided by the time the elections began.

The Swarajist leaders made one very significant move. For election purposes they altered the name of their party from the Swaraj party to the Congress party. Their reasons for this were, perhaps, somewhat complex. In the first place the name, Swaraj party, connoted three years of futilities and wasted opportunities, whose chief memorials were the disastrous "victories" in Bengal and the Central Provinces and the ludicrous harlequinade of the "walk out" and the subsequent "walk in." In the second place, it was believed—possibly rightly believed—that the name Congress would rally once more to the side of the Swarajists large numbers of old-fashioned people, for whom the name Congress still stood as representative of Indian nationalist ideals but who were beginning to realise that the real political arena in India was now to be found in the legislatures, and who were repelled by the way in which the Swarajists had thrown away opportunities for doing real service to their country. Lastly, the change of name did, no doubt, denote that all hopes of a reconciliation between the two wings of the Swarajist party had been by no means abandoned. For the name of the Congress was one which could claim the loyalty of all parties, and, if the elections were to go too badly against the Swarajists, it might still be possible for the Indian National Congress to discover some way by which they could act with the Responsivists without too great a loss of face.

A queer medley of competitors lined up for the election race. There was the Swarajist Congress group and Pandit Madan Mohan Malaviya's new party group; there were Responsive Co-operators, Hindu Mahasabha candidates, Moslem candidates, Independents, Liberals, the "Justice" group in Madras, and candidates who represented no party

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but themselves. Some seats were contested by four or five candidates and wherever there was an organization—whether on behalf of the Swarajist Congress candidates or, as in Bombay, the Responsivist candidates or, as in the Punjab, the Hindu Mahasabha candidates or, as in the United Provinces, the Liberals—the organisation as a rule won.

The elections began in the first week in November and the Madras results were the first to be completed. They flattered the Swarajists by allotting to them almost half the seats in the Provincial Council and all but two or three of the seats in the Legislative Assembly. It is generally admitted that these results represented not so much a conversion of the Madras electorates to the Swarajist party as a natural reaction against the long continued dominance of the Non-Brahmin party in Madras politics. Signs of a coming revolt against the Non-Brahmins had been in evidence for long enough and the Swarajists organised themselves to take advantage of this revolt. It must be admitted, however, that the full extent of the Swarajist success at the Madras polls had not been foreseen even by the Swarajists themselves. Elsewhere, however, the Swarajists lost ground and in the Punjab and the United Provinces they almost disappeared from the legislatures. In the Bengal Council they were left with rather less strength than before. In the Central Provinces they were decidedly worse off. In Bombay the Responsivists met with a fair measure of success and, in fact, the only province except Madras in which the Swarajists could contemplate the election results with any equanimity was Bihar and Orissa. There, however, the paradox is witnessed that the chief supporters of the Swaraj party are found among the comfortable middle classes who elsewhere form the conservative element in politics. Thus, no matter how many seats the Swarajists may have in the Bihar and Orissa Legislative Council, they are not likely to prevent the formation of Ministries and the functioning

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of the Constitution, because the middle classes do not desire these things to happen. In fact in Bihar and Orissa the name Swarajist seems to be a label rather than the title of a body of men holding a certain political doctrine.

In every province in India, therefore, we are justified in expecting that the formation of Ministries will be successfully accomplished and that the Constitution will be allowed to function. The Swarajists are strongest in Madras and in Bengal, but it is doubtful whether they will seriously attempt to prevent the formation of Ministries there. Certainly, in Madras the last thing the electors want is that the Swarajists' exploits in the Central Provinces and in Bengal should be repeated. In Bengal, too, there seems to be a general desire for the resumption of Ministerial administration of the transferred services, and within a few days of the writing of this article it will be known whether the Bengal Council is prepared to go back on its earlier decisions which forced the Governor of Bengal in Council to administer the transferred departments himself.* In the Central Provinces a motion for the payment of Ministers' salaries for one month passed through the Council by an overwhelming majority and two Ministers have already been appointed. In other provinces, too, the names of the new Ministers have now been announced and there seems to be every prospect of their continuing to receive the support of their respective councils. It cannot be denied, therefore, that the results of the elections to the Provincial Councils have on the whole been condemnation of the old Swarajist policy of bringing the Constitution to a standstill.

In the Legislative Assembly the Swarajists nominally have almost the same numbers as they had last time. They are supposed to number 40, but it is possible that when the members take their seats this month, some of these 40 will be found to belong to some group other than the Swarajists.

* Dyarchy has now been resumed. Two Ministers, one a Hindu and the other a Mahomedan, having taken office.

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Still the Swarajists will continue to be the strongest single group in the Assembly though their position is materially different from what it was in the second Legislative Assembly. Then they were able to persuade the Independent group to join with them for a time in forming a "National" party which proceeded to inflict a number of reverses on the Government. It is hardly likely that they will be able to repeat this performance in the new Assembly. The Independents are a shrinking body and are not likely to attach themselves blindly to the Swarajists again. The Responsivist group and the group led by Pandit Madan Mohan Malaviya and Lala Lajpatrai are not likely to coalesce with the Swarajists owing to personal reasons. During the elections no quarter was given between the Swarajist leader and his chief opponents, and the angry feelings engendered by the election campaign will in all probability prevent harmonious action between the Swarajist leader and the leaders of the groups just mentioned. The attitude of the Mahomedan members of the Assembly, about 30 in number, is still a matter of conjecture. The possibility of the formation of a Mahomedan party is being mooted but it is too early at present to hazard any opinion on this question. It seems likely that they will tend to act together as a party, certainly on all communal questions. But more than that it would not be safe to say until the Assembly has met.

II. ANNUAL POLITICAL CONFERENCES

THE last week in December is the time chosen by many of the political or quasi-political bodies in India for holding annual meetings. These meetings are of unequal interest and importance ranging as they do from those of the Indian Liberal Federation, the All-India Moslem League and the All-India National Congress down to meetings of "Political Sufferers" and the always pathetic gatherings of

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the representatives of the "Untouchable" classes, who are making a brave effort to ameliorate the conditions under which they live or, it might even be said in some places, under which they exist. Here we need only notice the meetings of the National Congress, the Liberal Federation, and the Moslem League.

The National Congress

The circumstances in which the National Congress met this year are in many ways reminiscent of the circumstances in which the Cawnpore Congress met in December, 1925. For at the Cawnpore Congress the quarrel between the Swarajists and their rebellious members, the Responsive Co-operators, had to be fought out. This year it was expected that the Responsive Co-operators would make another strong attempt to bring the majority of the delegates to the Congress to their side. Also, as has been stated earlier in this article, a division of opinion had once more shown itself in the ranks of the Swaraj party itself, some of its members, undoubtedly, favouring some relaxation of its stricter tenets, if not actually reconciliation with the Responsive Co-operators more or less on the latter's own terms. It cannot be said that the elections had done very much to solve the difficulties of the Swarajist leaders. They could point to successes in Madras and Bihar and Orissa, but, as we have seen, neither of these provinces are likely to prove very suitable fields for the implementing of the Swarajist doctrine of Ministry and Constitution wrecking. Against these successes in the south and the east they had to set the absolute land-slide of the north and north-west, in the United Provinces and the Punjab, and less important losses in other provinces. Therefore, right up to the delivery of the Presidential address on December 26, the public was in doubt as to the future course of Swarajist policy. The President this year was Mr. Srinivasa Iyengar, a gentleman of whom very little was known

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outside the ranks of the Swaraj party and his own province of Madras. The audience which he was addressing was composed almost exclusively of adherents of the die-hard section of the Swaraj party. Mahomedans were almost entirely absent and the one or two who were present were in no way representative of their community. Also, at the last moment, the Responsivists and others decided that there was very little prospect of achieving anything this year and Pandit Madan Mohan Malaviya was the only important non-Swarajist present. The thoroughly unrepresentative character of the Congress therefore robbed its proceedings of much of their interest. The President's speech was declared even by Swarajist and other Indian newspapers to be flat and disappointing. It dealt with none of the really important questions of the day, such as Hindu-Moslem antagonism, the depressed classes and so on, except in terms of vague platitude. It mostly consisted of a long talk on the shortcomings of the present Constitution, and even this was not novel either in form or in treatment. Outwardly, the speech was an uncompromising defence of the Swarajist policy of the past and an expression of the determination of the leaders of the party to continue to adhere to that policy. It announced definitely that the Swarajists would oppose the formation of Ministries in the provinces by other parties until the All-India National Congress Committee was satisfied with the response made by the Government of India to the national demand. The policy of the Swaraj party was defined in the following resolution which was passed by the Congress with a large majority :—

In pursuance of the policy and general lines of work laid down in its election manifesto, this Congress reiterates its resolve that the general policy of Congressmen in the Assembly and various Councils shall be one of self-reliance in all activities which make for the healthy growth of the nation and of determined resistance to every activity, governmental or other, that may impede the nation's progress towards Swaraj.

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In particular, Congressmen in the legislatures shall refuse to accept Ministership or other offices in the gift of the Government and,

Shall oppose the formation of Ministries by other parties until, in the opinion of the Congress or the All-India Congress Committee, a satisfactory response is made by the Government to the national demand.

Refuse supplies and throw out budgets until such response is made by the Government, or unless otherwise directed by the All-India Working Committee.

Throw out all proposals for legislative enactments by which the bureaucracy proposes to consolidate its powers.

Move resolutions and introduce and support measures and Bills which are necessary for the healthy growth of national life and the advancement of the economic, agricultural, industrial and commercial interests of the country, and the consequent displacement of the bureaucracy.

Take steps to improve the condition of agricultural tenants by introducing and supporting measures to secure fixity of tenure and other advantages, and

Generally protect the rights of labour, agricultural and industrial, and adjust the relations on an equitable basis between landlords and tenants, capitalists and workmen.

Other resolutions relating to the wearing of *khaddar* and to the so-called "repressive" legislation were passed, but call for no comment here.

Thus, on the surface the policy of the Swaraj party remains what it was, but it is by no means certain that the Swarajist leaders will be able to give full effect to it. There are undoubtedly divisions of opinion within the party, and, it is even said, by people whose word is entitled to some respect, that a struggle is going on for the leadership of the party. Certainly there is a strong feeling among some sections of Swarajists in favour of accepting office and it will be interesting to see how far the policy of that party, as reaffirmed at the recent meeting of the Congress, will be able to withstand the disapproval of public opinion which, on the whole, is decidedly hostile to it, and the force of circumstances which are working strongly against the outworn doctrine of automatic obstruction and mere negation. Indeed, when the Congress resolution, which has been

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quoted above, is carefully read, it will be seen that the Swarajist policy is by no means so uncompromising as the President's speech made it out to be. For, it will be noticed that after the clauses dealing with the breaking up of Ministries, refusal of supplies and throwing out of budgets, there is a clause referring to the moving of resolutions and the supporting of measures calculated to benefit Indian national life. Now, if the Swaraj party does take the action contemplated in this clause, it cannot profess any longer to regard the legislatures and the present Constitution as useless, for, by their own admission, work of national benefit can be done in the legislatures and under the present Constitution.

The whole truth is that the Swaraj party is not what it was three years ago. It has lost much of its support in the country and if its opponents at the last elections had been better organised there is no doubt that Swarajist successes would have been very few indeed. As it is, but for the purely temporary and fortuitous circumstances in Madras, their representation in the Legislative Assembly and in the provinces generally would have looked comparatively meagre. Sooner or later the Swaraj party will have to come into line with the Responsive Co-operators, the Independents, Moderates and others who want to work the Constitution, and although the journey of the party from non-co-operation to co-operation may take some time and will be camouflaged as much as possible, nevertheless it must in the end be accomplished. But before it can become an ordinary constitutional Opposition, either alone or in conjunction with other parties, the Swaraj party will have to drop definitely and finally the present practice of using the Congress as a party caucus. This practice, which has grown up during the last two or three years, is a most pernicious development and one full of danger for the growing Indian Constitution.

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The Indian Liberal Federation

Speeches delivered at the meeting of the Indian Liberal Federation were naturally different in tone from those delivered at the Congress. The President of the Liberal Federation this year was Sir Sivaswami Ayyer, a veteran politician with a long and very honourable record of public service to his credit. He made great play with the mistakes committed by the Swarajists and the harm done by them to the cause of Indian political advance. In an interesting passage he pointed out the steady change of Swarajist policy from the extreme of non-co-operation to a measure of co-operation. He doubted whether the Swaraj party as a whole would openly acknowledge the wisdom of making co-operation part of its avowed policy. He showed clearly that the only argument which would weigh with the British Parliament would be proof given by actual working of the present Constitution by all classes of Indian politicians that India was fit and ready for the advance to responsible self-government. He spoke of the Hindu-Moslem problem and paid a fine tribute to Lord Irwin's great speech on the subject in Simla last July, and pointed to the necessity for supporting Government and its officers in administering the law in cases of communal disturbance. In a striking and very able passage Sir Sivaswami supported the currency proposals of the Government of India including the vexed question of the rupee ratio. He affirmed that the Moderates were prepared to work with the members of other parties whenever it was possible for them to do so. The most important resolutions adopted by the Liberal Federation at this meeting were one relating to the rapid Indianisation of all the superior civil services and the vesting of conditions of recruitment for all such services in the Governments in India, and a long resolution asking for Dominion status for India. Important clauses of this

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second resolution recommended the abolition of the Council of the Secretary of State, the free admission of Indians to training in all branches of military service, fully responsible government in the provinces, and the transformation of the different Indian legislatures into wholly elected bodies with provision for the protection of the rights of important minorities.

The All-India Moslem League

The last meeting to be noticed here is that of the All-India Moslem League, which took place at Delhi. Unquestionably this meeting came to closer grips with the realities of present circumstances in India and was more practical in its outlook than either of the other two. The President was a well-known and influential Mahomedan leader from the Punjab, Khan Bahadur Sheikh Abdul Qadar. In his speech he dealt with the ways in which Mahomedans could secure and advance the rights and privileges of their community. He showed the meeting the necessity in present day circumstances for co-ordinating the work of Mahomedan organisations all over India, and in a passage full of sound common sense he demonstrated the mischief caused by Indian Mahomedans interfering in the affairs of other Mahomedan countries. He made it quite clear that in his opinion the Mahomedan community meant to retain the existing system of separate communal electorates and that so far from being prepared to accept any system of joint electorates the Mahomedans wanted more seats in both the Legislative Assembly and Provincial Councils. The speech, in fact, was almost entirely concerned with the best way to advance the interests of Mahomedans in India and practically the only digression into general politics was a recommendation for the Congress and the Moslem League to set their affairs in order and act in harmony together so as to be able to

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present a strong and united demand for further political advance before the Statutory Commission. Among the resolutions which were moved at this meeting of the League, the one which caused the most enthusiasm related to the increased representation of Mahomedans in the different branches of Government service.

On the whole none of these three meetings helps us very much to read the riddle which Indian politics presents at present. The Swarajists in the Congress were obviously playing for time, and their action with regard to the formation of the Ministries in the provinces and to the obstruction of government business in the central legislature will be determined by circumstances. The Moderates are, perhaps, prepared to stiffen their demands a little in the hope of inducing other groups to join them in the formation of a grand Indian National party, whilst Mahomedans are plainly trying to improve and consolidate their position in preparation for the next political advance whenever it comes. All parties have got their eyes on the approaching Statutory Commission, and it is clear that all except the Swarajists realise that there is only one way of getting results from the Commission which will satisfy their hopes, and that is by working the present Constitution to the best of their ability, testing its suitability to Indian needs, and by putting forward claims based on actual experience and not on mere theory. Even in the Swaraj party there are some who see this no less clearly than the Responsive Co-operators or Moderates themselves, but at present the party policy seems to be dominated largely by personal considerations and it will only be altered by the irresistible force of events and the less obvious but not less powerful pressure of public opinion.

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III. GENERAL

THIS article ought not to be closed without some mention of the controversy which is at present going on with regard to the currency legislation which the Government of India proposes to undertake during the forthcoming session. The Government proposals were described in the last issue of *THE ROUND TABLE*,* which also mentioned the opposition to them in certain quarters. After the December article was written, the opposition flared up fiercely, being inspired and sustained by the so-called Currency League of Bombay. The Currency League issued a number of pamphlets and wrote or caused to be written an immense number of articles in the daily press opposing the Government's proposals with regard to the stabilising of the rupee at 1s. 6d. gold. Attempts were made by the Bombay interests affected to start currency leagues and associations in other important centres in India, but it must be said that these attempts have failed. A Currency Association was started in Calcutta, but after this body had held one or two meetings it seems to have died of inanition. Similar bodies which were started in Madras, Lahore, and one or two other places seem also to have fizzled out. The insistence of the Bombay Currency League on one only, and that a minor one, of the Currency Commission's recommendations, which were accepted by the Secretary of State and the Indian Government, is significant. The far more important question of the standard of value, and the immensely more important question of the creation of a Reserve Bank for India have been left almost entirely untouched by the Currency League, but the ratio issue has been magnified out of all proportion. The Indian public has

* *THE ROUND TABLE*, No. 65, December 1926, pp. 105-108.

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been informed that the adoption of the 1s. 6d. ratio would utterly ruin Indian agriculture by depriving the agriculturist of no less than $12\frac{1}{2}$ per cent. of the return from his produce, and would correspondingly benefit foreign countries, particularly England. The only argument which the Currency League was able to find to support its attack on the 1s. 6d. ratio was this argument of the alleged ruinous effects of this ratio on agriculture. The leaflets and articles published by the Currency League reiterate this one argument over and over again and are written to appeal primarily to ignorance and prejudice. For a time, however, they did make a deep impression on public opinion, but lately their effect has greatly weakened, and the sound reasoning of the majority of the Currency Commission has been put before the Indian public by journalists, university professors and lecturers, and particularly by the leaders of Indian economic thought assembled in the annual Economic Conference last month. The question of the ratio is at last beginning to be seen in its proper perspective and it is likely that the propaganda of the Currency League with its exaggerations and mis-statements will recoil on the heads of those responsible for them. There is much significance in the fact that the Indian National Congress could not be persuaded to pass a resolution condemning the Government's currency proposals. The President in his speech certainly spoke against them, but no resolution was put to the Congress on the subject, and it is well known that members of the Swaraj party are divided in their opinions on the subject of the rupee ratio. At the moment of writing there is good reason to doubt whether the Swaraj party will make the proposals a party question next session. However that may be, opinion in favour of the Government's proposals is undoubtedly strengthening in the country and it is not perhaps rash to anticipate a majority for the Government when the division is taken in the Legislative Assembly.

The arrival of Sir Samuel Hoare in Delhi on January 8

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in the giant Hercules aeroplane was an event of more than mere picturesque or passing interest. It has a permanent importance, and may well prove to be an outstanding landmark in the history of the relations between England and India. For it showed that the air route between the two countries had at last become a practical possibility. It cannot now be very long before there is a regular aeroplane service all the way from London to Karachi, and when night flying becomes a normal feature of aerial travelling, the two cities will be only a few days' journey from each other. The whole journey from London to Delhi was accomplished by the Hercules in exactly 63 hours of flying. The consideration of these figures gives rise to certain thoughts of great importance. It cannot be doubted that one of the main factors in the growth of national ideals in India, and in the remarkable progress which she has made on all sides during the past half century, has been the steady annihilation by means of mechanical inventions of the space which separates her from the Western world. This process of annihilation will receive a vast impetus when the new air route is fully developed and a continual stream of aeroplanes transport passengers between India and Europe. The contact between India and the West will be closer and more immediate than ever before and the reactions on Indian thought and politics must be great and far-reaching. Sir Samuel Hoare, in an interview which he gave to the Press within a few hours of his arrival in Delhi, said that India on account of her position and her natural features ought to become the centre of flying in the East, and this saying of his was repeated with approval by the Viceroy two days later at the pleasant little ceremony at the Delhi aerodrome when Lady Irwin named the great aeroplane "The City of Delhi." Perhaps this is looking some distance ahead, but the opinions of these two statesmen are worthy of record. Railways have already linked together the remotest parts of India, and when air routes

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have been opened in this country and the habit of travelling by air developed among the Indian peoples, the process of fusing the various elements of the Indian population into a more homogeneous whole will be aided by yet another motive force.

India. January 13, 1927.

GREAT BRITAIN : THE OUTLOOK

I. AFTER THE STRIKE

A FEW years ago, when Europe was still struggling to free herself from the worst entanglements of war-making and peace-making, a famous British statesman was asked what chance he saw of early improvement. To which, in the bitterness of experience, he replied : "the resources of human folly are not exhausted yet." England's troubles in 1926 rank high among calamities which sanity foresaw and could, with the aid of goodwill, have averted. At the beginning of 1927 the only contribution to good causes made by its predecessor consists in the reduction of resources which "human folly" has unquestionably undergone. Wisdom after the event is of the costly kind. We have paid well for the event. The present problem is how are we going to apply the wisdom, first to defray the charges of the lesson and then to establish more securely the resources of national wealth in the future.

The immediate prospect is brighter. There were hopes even a year ago, when all the New Year forecasts, the speeches of the chairmen of the banks and others promised better times. But they were promised with an "if," and the condition, which was industrial peace, was not fulfilled. This year the annual forecasts are not without their speculative element. One menacing contingency has been eliminated ; or, to speak accurately, has eliminated

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itself by happening. Confidence cannot be said to have returned, because it never departed. We have recorded more than once its extraordinary hardiness through all the rigours of the past year. It is safeguarded now by the assurance that the Great Strike, like the Great War, cannot repeat itself annually. It is still too early to compute the costs. They are alarmingly vast or surprisingly light according as you look at them. We shall know more when the national accounts are presented in April. The chairmen of the banks and the Chancellor of the Exchequer are hopeful. *C'est leur métier*, a pessimist might say. But there is no disputing the unexpected power of resistance that British industry has shown, or that there are facts to warrant its fortitude as well as tasks certain to deserve it.

On the side of promise is a revival of activity in iron and steel, although it is too early as yet to say whether this is more than a response to delayed and accumulated demands in the home market. Stabilisation on the Continent is giving the British worker and manufacturer a fairer opportunity again. Cotton is emerging from chronic short-time and making a beginning once more. New factories for other production are also going up, while the enforced halt in 1926 has been partly employed as an interval for reconditioning. Generally, while there is no boom and no desire for one, there is a feeling that the long-awaited revival date may have been reached and passed. The coal industry itself, at once a cause and a victim of national misfortunes, and an index of national well-being or the reverse, is fully active, and confident of recovering most of its hold on lost markets. Shipping, which came by some gain in the import of foreign coal, looks to an increase of legitimate employment in the current year. But the sum of these movements and expectations has still to show itself effectively in the unemployment figures. Slowly falling, they are still well above the level of twelve months ago.

When all is said that fairly can be said of an improved

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prospect, there is still a bill to be paid and a quarrel to be mended. At the close of the calendar year the gap between revenue and expenditure was much above normal even for that stage of the year's accounting. The year's trade balance was heavily adverse even when generous allowance had been made for "invisible exports." The task of manœuvring the unwieldy burden of deadweight debt has not been eased. Taxation will continue at an excessive level and the country will be fortunate to escape an increase. All this may be cheerfully borne if the waste of the seven months' stoppage is so much and no more. But is it all ? It is impossible to think that an industrial stoppage of this magnitude has lasted for the best part of a year without definite consequences for better or worse. But for which ? That is another of the still unresolved uncertainties of the time, which matters in the long run more than all the rest and is worth a little exploration.

The coal dispute ended without a settlement. It was silenced by a crushing defeat. Yet there was less bitterness among the miners themselves than might have been expected. As for the rest of Labour, despite official pronouncements and the "unity of front" cherished by propagandists, its verdict broadly was "serve them right." Men are not willingly sacrificed for a negative. The coal stoppage lasted long enough to impress upon Labour generally, and even upon a considerable section of the miners, the hardly believable futility of Mr. Cook's diehard inspiration. It outlasted diplomatic silences and polite evasions. It was the show-up of extremism. When the Trade Union Congress had to consider the action of its representatives in refusing to continue the General Strike for the benefit of Mr. Cook's unattainable "slogan," it approved by a huge majority (when the miners' vote is put aside) what was done, and tacitly condemned the miners' leadership.

For the present the effect of the self-defeat of extremism symbolised by Mr. Cook has been to mark out more clearly

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the line of cleavage between the moderates and the minority, between those for whom the unions are the means of improving industrial conditions and those for whom they are the instruments of power. The moderates have come more and more into the open. Industrial unionists are warning politicians to keep out. Socialists are taking a stronger line about Communists. There is less fear of "weakness" in face of capitalism and of saying what capitalists may overhear, more readiness to preach the modifying of capitalism by co-operation as the right way of advance towards the attainment of Labour ideals. It would be too sweeping to say that British Labour had made its choice and that the day of doctrinaires was over. For one thing, British Labour has always been more interested in results than doctrines. For another, the choice between two ways of using the experience of the last decade is just as much a choice for employers as for Labour. And both will be partly governed by, as also both can help to decide, the course of economic events. For the present, we repeat, the initiative appears to lie with the moderates and the prevailing mood is not vengeful, but conciliatory and responsive. Since the miners returned to work the air has rung with appeals for inquiries and conferences to rationalise and civilise industrial relations. By themselves they are not likely to produce anything specific, but they should be recorded.

Conservatives and the Trade Unions

It is not possible to be more definite about political than about industrial consequences. For a time the Labour party seemed to live in less fear of its own tail. There was never anything convincing in the efforts of a Parliamentary movement to keep on its good behaviour while dealing with forces definitely anti-Parliamentary. The constructive and reasoning majority has never spoken plainer language to

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Communism than lately. There was a ring of independence about Mr. MacDonald's platform speeches on the Hankow negotiations. He was unhappy about the despatch of troops, but he spoke with favour of Sir Austen Chamberlain's conciliatory policy and resolutely refused to be drawn into discrimination between the contending forces in China itself, despite the red flags that wave over Canton and sway the sympathies of advanced Labour in England.

But it is outside the Labour movement that we must look first for guidance as to developments within it. The most obvious contingency of disturbance is not within Labour, but Conservative, control. It will be remembered that a Bill introduced at the beginning of the present Parliament by a private Conservative member for amendment of the method by which trade unions collect funds for political purposes from their members was dropped after a dramatic interposition by the Prime Minister and after his appeal for a conciliatory gesture inviting a reply in the same spirit from the Labour side. Mr. Baldwin had his way then, but there was much reluctance among the Right wing of his party, strongly represented, as extremer views always are, in the party organisation, to accept this political quakerism in place of a "fighting policy." When the General Strike came, followed by a seven-months' demonstration from the Miners' Federation of the power of a determined minority to work upon and through the apathy of the mass of members, it was inevitable that the demand for "trade union reform" should be revived with greater force and support. Moreover, Conservative members, it appears, have been pressed to take action by working-class constituents whose views they have felt to be entitled to special respect on this question. There is no doubt that a majority of the Cabinet have felt the difficulty of legislating to hamper—it will be so represented—the activities of political opponents and to impose upon trade unions some employers' ideas of how a trade union should comport itself. Many

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Conservatives, not of the Right wing, are against action even now. Their argument runs thus. The General Strike is illegal, and is not to be intimidated by law or the penalties of law. The right way to prevent a General Strike was to defeat it when it was attempted. This has been done, and handsomely. We shall not have another. As to trade union practice and administration, there is a strong paper case for leaving members free to subscribe to political funds if they wish to, and not merely to secure exemption if they do not ; for ensuring the proper administration of a secret ballot upon a proposal to strike ; for preventing mass picketing and the intimidation of workers who are prepared to go to work and for remedying all the admitted abuses of trade unionism. All these things may be excellent in intention. But the important thing at the moment is to secure easier and ampler production through the improvement of industrial relations, to get on towards a better industrial order, from which the strike may eventually disappear, through agreements and practices established in industry itself, and in short, to convert trade unions to a responsible function in industry. If reforms are attempted, let them be such as will enlist Labour sympathy, or, at least, command Liberal approval. As it is, Conservative action will call into account every anti-capitalist prejudice and suspicion in the Labour ranks and while it does the minimum of good by its alterations of the law, will do the maximum of harm by imposing unreal unity upon Labour moderates and extremists, and by disturbing the prospects of peace, recently bought at a very high cost, in industry generally.

None the less, the Government is pledged to act. The King's Speech, unusually empty of first-class measures, placed in the forefront of the work of the Session legislation for the definition and amendment of trade union law. As we write, the detail of the Bill has not been settled. Mr. Churchill gave the Commons some idea of the Government's intentions when, "without prejudging" the legisla-

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tion to be introduced, he challenged the Labour party to say whether the right to call a general strike, to practise the mass-intimidation of individual workers at work or at home, or to exact contributions for Socialist candidatures from Liberal and Conservative trade unionists were essentially part of the trade unions' bargaining power. Naturally these will be difficult questions to answer. The Cabinet will be careful to select for statutory exclusion practices which Labour will find it most difficult to defend. It has also offered to take trade union leaders themselves into consultation as soon as its measure is drafted. It seems unlikely at present that Labour will welcome a compromise depriving it of opportunities on the platform for denouncing a "capitalist conspiracy" against trade unionism. Yet, if such a conference could be arranged and if the law affecting trade unions could be clearly re-stated with general consent, it is not the Government alone which would be the gainer by the disappearance of a controversy that bodes no good to industrial peace.

II. THE PARLIAMENTARY PROGRAMME.

THE rest of the King's Speech promised a useful rather than a stirring Session. The Budget holds a melancholy interest for taxpayers who have abandoned hopes of further tax-remissions and are only curious to know how an addition to their troubles is to be avoided. The Session itself is shortened. It is to end in the summer, and a new Session is to open in the autumn. This provision allows for the postponement to the autumn of the Factories Bill and the Reform of the Poor Law. These large legislative undertakings are viewed with dark suspicion by a number of Ministerialists. Their place in the programme of social reform has been taken by a Leasehold Reform Bill, which is to secure to an outgoing tenant a certain right to the value of improvements carried out by him, and by an Unemployment Insurance Bill which will free the

The Parliamentary Programme

unemployment insurance system from the unforeseen responsibilities thrust upon it by the industrial consequences of the war and restore its original character. It was devised and, despite the huge number of unemployed it has had to carry, has on the whole worked as, a contributory system. "The unemployed," as inquiry has shown, are not always the same unemployed. The relation between contributions and benefits inseparable from a genuinely contributory plan has never been lost. Only the special payments known as "extended benefit"—benefit, that is, in excess of the contributor's strict rights—could be described as "doles." Now the scheme is to be modified and re-established on its true contributory basis. Benefits are to be reduced below the level at which they could possibly prove a temptation to idleness or a bar to migration. After the existing debt upon the Insurance Fund has been paid off, the rates of contribution are to be reduced. As the system is compulsory and includes trades with greater and less fluctuations of employment, the lowest possible cost to the insured is naturally to be aimed at.

These are the main and unanimous recommendations of a Committee, including all political views, which the Government appointed and by whose advice it is likely to act. The working of the British unemployment scheme—a pioneer social experiment—has been so much misunderstood at home and still more overseas, that there is timeliness in the authoritative inquiry just concluded. So far from presenting the British worker as deteriorating in independence and self-respect, demoralised by "State aid," the Committee was impressed by the efficiency with which the community has discharged an unprecedented duty to its unemployed. The degree to which the scheme has been abused is found to be insignificant. Even in these difficult years, experience in its administration has, as a whole, proved the undiminished self-reliance of the working-class.

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Some minor agricultural measures and a Bill for the assistance of British films complete the programme which Parliament is asked to carry out by the end of July. Legislators look forward to uneventful days. Conservatives rejoice that the country is to have a "holiday from legislation." The Government argues that Parliament will have time to do its work with greater thoroughness. The main truth is that the public interest in politics is keen only where they touch finance and industry. All the preoccupations of the time are economic. The removal of the last sex inequalities from the franchise is being considered. Reform of the House of Lords is promised again within the lifetime of the present Parliament. There is no strong demand for either from the nation. Its thoughts are more concerned with its livelihood.

III. THE LIBERAL DISSENSIONS

THE third of the great parties has taken some steps towards improving its position by limiting its dissensions, though it has opened yet another rift in the process. Differences of opinion and policy over the General Strike left Mr. Lloyd George and Lord Oxford in open variance. The weight of the party was with Mr. Lloyd George, and Lord Oxford resigned rather than perpetuate a controversy that made it impossible for the leader of the party and the leader of the party in the House of Commons even to meet. Formally there is no leader now and, by Liberal custom, there will be no leader until Liberalism furnishes another Prime Minister. But, in fact, Mr. Lloyd George has succeeded to the office. Nor is that merely by virtue of Lord Oxford's resignation. Liberalism had difficulty in accommodating two ex-Prime Ministers. It had as much difficulty in accommodating Mr. Lloyd George by himself as long as the large political fund which descended to him from the break-up of the Coalition was outside the party dispositions. The fund—"tainted

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money," "Mr. Lloyd George's cash-box," and the rest—was a burning centre of disagreement, and the suggestion that it might be for the party's use on Mr. Lloyd George's conditions was indignantly repudiated. He has been wise, with the bulk of Liberal opinion and the Liberal press sympathetic to his policies, to go further than that. In connection with his land campaign, he first offered to place funds at the disposal of party headquarters for the financing of rural candidatures. In the course of the negotiations, this became an offer to hand over unconditionally a capital sum sufficient to ensure "a full fighting line" of Liberal candidates at the next election. The second charges on the fund are to be the expenses of his land campaign and of the industrial enquiry. This offer was accepted. With its acceptance Liberal unity seemed to be on the way again. But there were still those to be reckoned with who had declared after the General Strike that Mr. Lloyd George was "impossible to work with." These, under Lord Grey, rather than accept the "moral obligation" which, they feel, attaches to Mr. Lloyd George's money, have formed a Liberal Council, not to work independently of the party, but, presumably, to preserve their independence within the party. Others, like Captain Wedgwood Benn, one of the ablest and most indefatigable members of the Parliamentary party, have preserved their independence by migrating to Labour.

There are differences over policy, too. Mr. Lloyd George intends to make Labour see that Liberalism will be the balancing force in the next Parliament. Lord Grey sees mischief for Liberalism in this theory of dependence, and wishes Liberalism to fight as the electorate's alternative both to Socialism and "reaction," using whatever Parliamentary situation it may find after the next election in the way it then thinks best. But the sum of the matter is that, if Mr. Lloyd George has still to recapture the whole confidence of the Liberal party, he has re-established himself in a commanding position in its organisation.

IRELAND : EVENTS IN THE FREE STATE

I. POLITICAL

THE Free State Government may justly claim that the Report of the Inter-Imperial Relations Committee of the Imperial Conference concedes and establishes their essential demands. The changes it recommends, which are set out in detail elsewhere in this number, and have since been adopted unanimously by the Conference itself, are mainly those urged from the beginning by Mr. O'Higgins, Mr. Fitzgerald and the Irish delegates. They demanded a precise definition of Dominion status which would establish once and for all the equality and freedom of each community in the Commonwealth. They asked that it should be made clear beyond a doubt that no Dominion legislature was subordinated to Westminster, that communications of common interest should pass between Government and Government and not through the Governor-General, that the right of the Dominions to make treaties with States outside the Commonwealth should be recognised, and that such treaties should be made by the King separately on behalf of each Dominion and not as King of Great Britain. All these things have been conceded, and conceded in a manner which will not only promote the real unity of the British Commonwealth as a true league of States in friendly co-operation with each other, but which also in its change of the King's title recognises the essential unity of Ireland,

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and gives us a new toast: "The King of Ireland," which may well be drunk with enthusiasm on both sides of the Boyne. To those of us who remember the Land League campaign of the 'eighties and the cartoons of *United Ireland* it is interesting to reflect that the master hand, clearly visible in this remarkable document, is that of the great statesman who in those far-off days was better known in Ireland as "Bloody Balfour."

The only material point not definitely conceded is the Free State demand for the abolition of the right of appeal to the Imperial Privy Council; but it is understood that the objection to the abolition of this right came from some of the other Dominions rather than from England, and it is obvious that French Canada, for instance, could hardly agree to such a proposal, for this right of appeal is a real safeguard against any interference by the Dominion Parliament with the rights which the Treaty of 1763 guaranteed to the French province. Altogether it may be truly said that the Report of the Inter-Imperial Relations Committee is a statesmanlike achievement of the first importance and a real triumph for Mr. O'Higgins and his colleagues, because it recognises that goodwill between the two mother countries, Ireland and England, can only grow from our racial ties and economic necessities, and not from any artificial political union. It has been generally recognised in Ireland that the results attained have been remarkable and satisfactory. Incidentally it may be remarked that, as by implication it fully recognises the doctrine of "external association," on which Mr. De Valera's (or rather Mr. Childers') famous Document No. 2 was based, it is hard to see what further foothold is left for that agile gentleman in his present precarious position. The debate in the Dail on the results of the Imperial Conference evoked singularly little opposition and no criticism of any value. Mr. Johnson, the leader of the Labour party, harped upon the familiar theme of capitalistic Imperialism, and the impossibility of the Free State being able to maintain neutrality in

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case of war, whilst the inimitable Professor Magennis exercised his undoubted metaphysical talents in an analysis of the Government's iniquities. But the Government leaders spoke out courageously and made it perfectly clear that their policy is now one of friendly and candid co-operation with England and their fellow Dominions, and that it is only through such a policy that Ulster can eventually be won.

The changed policy in the Free State is clearly shown by a speech of Mr. Blythe, the Minister for Finance, made at Ardee on January 20, in which he stated that if we could get a republic for the Free State by holding up a finger he would not hold up that finger, and he went on to say that, if we did get it, whatever prospects there were of re-uniting the country would disappear completely, and that in actual practice we had more liberty and security in our present position than if we had an independent republic. No Minister would have dared to enunciate this simple truth in such an uncompromising fashion a year ago.

But our path during the last four months has not been altogether one of roses. During the month of November the remains of the most active wing of the Republican Army (which has apparently once more thrown off all political control) indulged in week-end operations involving attacks on twelve police barracks containing unarmed Civic Guards, the net result in casualties being that two guards were killed. It was characteristic of Mr. O'Higgins that, with the embers of civil war still glowing red throughout the country, he sent out the Civic Guards without arms to police the countryside, a policy which has been abundantly justified, and from which the writer believes there will be no departure. The Government met this new and futile challenge to its authority by immediately passing a Public Safety Act which gives them power to declare a state of national emergency for three months with the assent of the Oireachtas*, and thereupon they have power to arrest and

* *I.e., Parliament.*

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detain anybody whom they reasonably suspect of treasonable offences, subject to certain rights of appeal. Acting at once under this Act, they proceeded to arrest all the Republican firebrands throughout the country, and the papers were soon full of letters from the internees protesting their innocence. This desire to escape responsibility for organised terrorism and publicly to disclaim it is very significant. The Government wisely released them all after asserting its authority. It would be ridiculous to conclude from these events that the country is once more plunged into turmoil. As a matter of fact the number of persons interned was only about 150, as compared with 15,000 during the civil war, and the people generally voiced in no uncertain terms their abhorrence of the whole performance. It is hard to conceive what object the young bravos who carried out these cowardly attacks had in view, unless they aimed at finally discrediting Mr. De Valera and compelling the Government to maintain the present army, a plaster which is their most serious financial embarrassment. The people who formerly hesitated to vote for a Republican candidate because of the possible results to their own skins are not now likely to feel more inclined to do so.

The "excursions and alarums" have not, however, been wholly Republican. His Excellency the Governor-General, Mr. Timothy Healy, contributed to our disturbance by a picturesque post-prandial performance at the annual dinner of the Dublin Chamber of Commerce early in November. On this occasion, having made a most injudicious reference to the English coal strike and delivered an extravagant eulogy of the Free State Government, he proceeded to belabour the Opposition parties, whom he elegantly described *in globo* as "a number of persons whom we never heard of before except in connection with explosions and assassinations." The writer ventures to say that if the Governor-General in any other Dominion made such a speech he would be recalled within twenty-four hours, but "Tim" is

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both the *enfant gaté* and the *enfant terrible* of Irish politics, and people are more surprised at his exemplary behaviour since his appointment than at this long-expected explosion in which Tim Healy momentarily overcame the Governor-General. The ingenuous explanation that he was misreported was hardly fair to the reporters, who immediately retorted by publishing the verbatim notes of his remarks. However, he is now once more confined to the Viceregal Lodge, from which he is hardly likely to play truant again on such a gorgeous scale, and where he can reflect at leisure on his own statement that outside religious opinions and beliefs there is no such thing as principle. One sometimes wonders whether "Tim" does not often sigh for the old days when his caustic wit could find free play, and whether we have not lost more than we have gained by his absence from the political arena, where he gave and received such lusty blows.

The Government, on the recommendation of a Cabinet Committee, have introduced Bills for the amendment of the Constitution. They provide for the abolition of a public holiday on the day of a general election, for a change in the methods of election of the Chairman of the Dail, for the extension of the maximum duration of the Dail from four to five years, and for the abolition of the four external Ministers who were heretofore under a rather ridiculous provision in the Constitution nominated by the Dail and not by the President of the Executive Council, and whom it is now proposed to incorporate in the Government. All these changes are of a minor nature, and no step has been taken to change the method of election to the Senate. It is understood that the Constitutional Committee made definite recommendations on this vital matter also, but that the Government did not feel free to undertake any drastic changes in this direction till after a general election.

The usual ill-informed and misleading criticism has been directed against the recent financial agreement on outstanding points arrived at between the British and Free

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State Governments. A perfectly necessary and humdrum business transaction has been described as if it were an agreement to sell the birthright of the Free State for a mess of pottage. In effect, a number of claims have been abandoned by the British Government; certain previously agreed policies concerning land purchase annuities, pensions and the national debt have been implemented, and certain previously ascertained liabilities have been liquidated. Mr. De Valera has, of course, seized the opportunity to commit his party, Fianna Fail, to a declaration that if they come into power they will stop the payment of the land annuities to England—a declaration which in its elementary dishonesty is worthy of a bankrupt Portuguese statesman. This pledge is not, however, likely to revive his fallen fortunes. Nor will they be improved by his prophecies about Ireland being again led to civil war if it is not rescued from his metaphysical dilemmas. His assumption seems to be that the majority of the people have no right to uphold the existing Constitution because by so doing they run counter to certain abstract rights involved in the conception of nationality as a religion rather than a social and economic condition, and that in support of these abstract rights civil war is justifiable. But it is now too late in the day to mislead the country with nonsense of this kind, and the admitted financial difficulties of both Republican parties are eloquent of the support they may expect in votes. The fact that Mr. Dan Breen, the famous I.R.A. fighting man and Republican Deputy for Tipperary, has deserted Mr. De Valera and taken his seat in the Dail, is also symptomatic, and shows that "the ice is breaking up on every side."

It is pleasant to turn from these futilities to the experiences of the Free State delegation at the meetings of the Imperial Parliamentary Union in Australia. The fact that it was possible for such a delegation to attend marked a new stage in inter-Dominion relations and helped to dissipate many old animosities. One of the delegates, Mr.

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Esmonde, T.D., who had actually been refused permission to land in Sydney as a Sinn Fein envoy in 1920, now came to Australia as a guest of the Australian Government and people. The delegation, which was very representative, consisted of Major Bryan Cooper, T.D., and Mr. Esmonde, T.D., representing the Dail, and Senators Bigger and O'Hanlon, representing the Senate. Senator O'Hanlon is secretary of the Irish Farmers' Union. They were much impressed by the extent of the Irish settlement in Australia. In every town they saw Irish names over the shops, Irish policemen directing the traffic, and in every social gathering they found politicians, judges and captains of industry of Irish descent. Moreover, in all the other Dominion delegations, except Canada, they found men of Irish stock. In short, they found, as one delegate well put it, that "It's just as much an Irish Empire as an English one," a remark which reveals a pregnant fact that has never been dreamed of in Mr. De Valera's philosophy. They cannot speak too highly of the enormous generosity and kindness of their Australian hosts. They felt that Irish hospitality was for once eclipsed. And in their turn the Australians were pleased to meet Irish representatives who came, not to solicit moral or financial support, but to study and discuss common problems and to gain an insight into Australian institutions and conditions of life.

All the present indications suggest that the general election will not take place till midsummer, and that it will be preceded by a popular budget and followed, should the Government be successful, by a new internal loan for development purposes. Captain Redmond's National League seems to be making some progress, although it has apparently revived the slumbering fires of that semi-extinct political volcano, Mr. William O'Brien, who naturally believes it to be the reincarnation of his pet bugbear, the "Molly Maguires," or Ancient Order of Hibernians. It is understood that he has been approached by Mr. De Valera's party to contest Cork City, and his re-appear-

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ance would certainly add to the gaiety of the nation if not to its peace. The Government has sought to spike one of Captain Redmond's principal guns by appointing a commission, of which Mr. Justice Meredith is Chairman, to inquire into the grievances of the town tenants. In other directions they are also girding their loins for the fray, and are about to throw down the gage of battle to the drink interests by introducing a new Liquor Bill on the eve of the election. It is this quality of courage that gives promise of their success in the approaching battle at the polls.

II. ECONOMIC AND GENERAL

THE outstanding economic event of the last quarter has been the publication of the interim reports of the Banking Commission, which have been issued in four separate parts.* The situation that confronted the Commission was that there was, firstly, no legal tender in the country except for the payment of small amounts; secondly, that of the nine banks operating here only six had rights of note issue, with a fiduciary issue limit fixed as far back as 1845 on an all-Ireland basis; and, thirdly, that since the Free State is now a separate State responsible for its own financial future, and vested with the power to establish its own currency system, as well as with the responsibility for maintaining that system, changes which may occur in British currency from this time forward will by no means automatically extend themselves to the Free State. The first and main report deals with this situation. It contains no revolutionary proposals and recommends a new currency system based on British sterling. The Commissioners declare that the Free State's freedom from monetary troubles has been due to the fact that it "has found itself automatically provided at the beginning of its

* See THE ROUND TABLE, No. 63, June 1926, p. 597.

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existence with a trustworthy and steadily improving currency basis," and they go on to declare that for a long time to come the Free State must continue to be "an integral part of the economic system at the head of which stands Great Britain." On this basis it suggests the erection of a new currency system, to be administered by a Currency Commission, which will be an independent body, consisting of seven members, and will be the only authority in the Free State empowered to issue notes. The new currency circulation will be divided into legal tender notes and a consolidated note issue. Legal tender notes will be issued to the amount of the present secured bank note issue, plus the value of British Treasury notes in the Free State (about £10,000,000), and will be backed pound for pound by British Government securities. These notes will be the unlimited liability of the Free State, and will be convertible directly at all times into British sterling, so that there will be no question of a rate of exchange. They will be issued by the Currency Commission against payment in gold or in British legal tender, and the profit which will be earned by their backing in British securities will go to the Free State Government. In order, however, to guard against any possibility of depreciation in these securities, an annual sum amounting to 10 per cent. of the outstanding note issue will be set aside every year out of the Government profit, to be used as a sinking fund, which will be held in trust by the Currency Commission. The consolidated bank note issue will be limited for two years to a maximum of £6,000,000, and will be distributed by the Currency Commission among the nine Free State banks in place of their existing fiduciary issue. Hitherto only six of these banks have been empowered to issue notes. They will be the liability of the Currency Commission, limited only by the liability of the participating banks, on the entire assets of which the Commission will have a lien. Thus the currency of the Free State, after these changes become operative, will consist

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of a basis of legal tender notes convertible into British sterling, and a body of consolidated bank notes convertible into legal tender. The Free State pound will, therefore, remain identical with the pound sterling, a fact which is bound to have favourable reactions in Northern Ireland. The Government has announced its intention to implement at once this portion of the Commission's report. One member of the Commission, Senator Jameson, in a minority report, raises certain technical objections, and would maintain the existing partial monopoly of the Bank of Ireland. The second, third and fourth reports of the Commission deal with agricultural credit, business credit and public finance. As regards agricultural credit, the Commission recommends the formation of an Agricultural Credit Corporation with a capital of £500,000, half of which shall be paid up, and power to obtain further funds by the issue of bonds or debentures guaranteed by the Government. The problem of long term loans for farmers in Ireland is complicated by the virtual impossibility of selling Irish land if the owner objects.* So long as this condition exists banks cannot be expected to look with favour on Irish land as security for long term loans, and it is an open secret that some of them have already been badly bitten owing to the difficulty in realising such securities in the face of a dishonest and reluctant debtor. The Commissioners draw attention to the fact that fifty-seven per cent. of the sales of farms in 1925-26 were abortive, and "unhesitatingly express the opinion that unless the existing outlook in these matters is completely altered the farming community should not expect, and certainly do not deserve, any amelioration in the conditions under which they can obtain credit." This condition of affairs is a relic of the land war of the 'eighties, when no one would buy an evicted farm. If it is not altered by the action of the farmers themselves, no legislation can improve their credit.

* See THE ROUND TABLE, No. 63, June 1926, p. 597.

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Dealing with business credits, the Commission recommends the continuance of the existing Industrial Trust Company with an additional capital of one million pounds, and that it ought to be in a position to issue loans in the first instance under a government guarantee. As regards public finance the Commission is sharply divided: six members, including the Chairman, recommend that government business should be divided amongst the various banks, whilst a minority of two, Mr. J. J. McElligott, who represents the Minister of Finance, and Senator Jameson, who represents the Bank of Ireland, declare that no distribution should be made and that the Government business should be dealt with exclusively by the Bank of Ireland as at present. They are, however, all unanimous in recommending that the six small trustee savings' banks should be merged in the Free State Post Office. The report, taken as a whole, is an exceedingly interesting and valuable document, and the Commission deserves great credit for the enormous field it has covered in so short a time. The Chairman, Professor Parker Willis, of Columbia University, was an excellent selection, and has brought a trained mind and a sane outlook to his task. His work justifies entirely the Government's policy in obtaining the best independent expert assistance available to solve such problems.

Another matter of interest which may be mentioned is the recent official opening of the Carlow beet sugar factory by President Cosgrave. The factory, which is said to be one of the most up-to-date in the world, is under the control and management of the Belgian firm of Lippens, and has now been working for some months. It receives a State subsidy and can deal with 1,500 tons of beet a day. About 800 men are employed, and no difficulty has been experienced in supplying the factory with raw material. The second stage of the Shannon Power Development Scheme* has now been reached—namely, the mechanical

* See THE ROUND TABLE, No. 60, September 1925, p. 761, *et. seq.*

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and electrical work. The turbines, generators, and larger transformers are under construction, and the necessary survey for the transmission lines is being carried out. One line will run from Limerick to Dublin, another from Limerick to Cork. These will be 110,000 volt lines, but the South Eastern loop, from Dublin to Waterford *via* Wexford and the east coast and back by Carlow and Kildare, which is to be the first constructed, will be 38,000 volts, and about 250 miles long. It is hoped that this latter line will be completed by the end of the summer, and it will probably be fed at first by the existing Dublin supply station.

The Tariff Commission has at last been constituted under the chairmanship of Mr. J. J. McElligott of the Ministry of Finance, who declares that he and his colleagues, Professor Whelehan, representing the Ministry of Industry and Commerce, and Dr. Hinchcliffe, representing the Ministry of Agriculture, are neither doctrinaire free traders nor doctrinaire protectionists. The woollen trade is busily engaged in preparing its case for submission to this new tribunal, and it is probably the strongest of the many aspirants for protection. Mr. Blythe, encouraged apparently by the increase of employment in the industries already protected, has announced that he will certainly propose fresh tariffs in the future. It remains to be seen how far the farming community will stand the increased cost of living which must inevitably result. But, apart altogether from the theoretical desirability of tariffs, it is clear that the Government cannot obtain increased revenue by other means without raising a violent outcry, and that this is now the only safe road open, and is also, of course, the least obvious to the groaning taxpayer. Two other matters concerning tariffs are worth mentioning. One is the manners and methods of some Irish customs' officials towards travellers. An Irish citizen may have to suffer aggressive rudeness without complaint, but tourists will certainly not tolerate it. The other is the absurd and

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almost prohibitive tariff on wireless sets and parts which has no protective value, and is in effect a tax on education and entertainment, because it prevents the isolated Irish farmer from getting into touch with the world. The Food Prices Tribunal* has, as the writer anticipated, proved an utter fiasco owing to lack of public interest and support. The anonymous correspondents who do not hesitate to fill the correspondence columns of our newspapers with wails about profiteering have not been sufficiently courageous to risk the enmity of the local shopkeepers by proving their complaints in the witness box. This lack of public spirit, and a mean, suspicious jealousy of those who venture to display it, are amongst our besetting sins. We are still painfully learning the lesson that freedom is not the end but the beginning of our national education.

The Irish Free State.

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* See THE ROUND TABLE, No. 64, September 1926, p. 820.

CANADA

I. THE REPORT OF THE IMPERIAL CONFERENCE

THE full text of the Report on Inter-Imperial Relations was published in the Canadian press and provided abundant material for discussion and controversy. Comment in the press has more or less subsided, but it is now being supplemented by a surprising amount of private study. Wide diversity of opinion is revealed, and in many quarters there is serious mystification about the full implications of the Report. In all save rabidly partisan quarters it is admitted that a useful clearance of constitutional débris and a clarification of some troublesome confusions have been accomplished, but there is a growing realisation that only a beginning has been made in the process of readjusting Canada's constitutional arrangements to conditions which have materially changed since Confederation. The *Manitoba Free Press*, which is well satisfied with the Report, insists that the next step must be action by the Canadian Parliament to vest in itself complete control of Canada's constitution, and some of the arguments which it adduces are difficult to answer. How can it be possible, it is argued, to talk of constitutional equality between Britain and Canada when Canada can only amend its constitution by an Act of the British Parliament, and when its final court of jurisdiction consists of judges in whose appointment the Government of Canada has no voice? No stock need be taken in the argument that

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the Report has already annihilated the British North America Act and wiped away the safeguards to minorities contained in it, but no one can deny that many anomalies will persist until some bold constitutional surgery upon the B.N.A. Act is undertaken.

Such an enterprise, however, would open up a disturbing vista of domestic strife and controversy. Admittedly public opinion in Quebec is decidedly nervous about the recent developments, and there was a note of warning in the following observations which Mr. Taschereau, the Prime Minister of Quebec, made on the subject in the Quebec legislature on January 14 :

There was quite recently held in London a great Imperial Conference. The details of what happened there are not yet all known, but much was said regarding the autonomy of the Dominions, and it would seem, the Conference added to what we already have. We are free men, very jealous of our liberties, greedy for autonomy, and wish to be masters of our destiny within the limits of our constitution, which is a contract to which we are party and which we accepted 60 years ago.

What does the future hold for us ? I do not know, but I pray the men who direct our affairs at Ottawa, and I am sure that it is their view also, to remember that the constitution which rules us must never be changed without the consent of the province of Quebec and of each province, expressed by its legislation.

We entered into Confederation on certain conditions which we believed necessary for the safeguarding of all that is dear to us, such as language, schools, laws, belief, and provincial autonomy. One of the clauses of the federal pact is that the Canadian constitution cannot be changed in its essential parts without the assent of the British Government. I believe that this very necessary condition may be even more necessary to-day than it was in 1867.

The province of Quebec has not progressed, according to the number of its inhabitants, as have the provinces of the West, and it is easy to envisage the day when our numerical inferiority will be even more accentuated. We want to be Canadians first of all, to have the best relations with our sister provinces and to contribute all together to the greatness of our country. But we French-Canadians are a little apart from the others. We have, in brief, certain things which we love to conserve, which we will not allow to perish, and which we do not even like to expose to danger.

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I think that fidelity to our British ties is necessary for our national survival, that we should jealously watch over its preservation, and that we are not ready to leave it to a majority of the whole of Canada to say, without the consent of our province, what its future constitution should be.

General indications of the trend of public opinion upon the fruits of the Conference can best be gleaned from quotations from different papers. Generally speaking, the Conservative papers are disposed to minimise the importance of the resolutions, and to assert that they make no serious changes, but merely give formal registration to conditions and practices which have been operative for a number of years. The Liberal press, on the other hand, has hailed them as marking a further stage in the growth of the political stature of the Dominions and in the completion of their emancipation from the tutelage of Downing Street. A notable exception, however, to the Liberal chorus of approval has been the critical editorials of the *Toronto Globe*, which, although no longer a strict party paper, is still an influential organ of the Liberal faith. Given below are excerpts from the editorial comments of leading papers delivered at the time of the publication of the Report.

The Manitoba Free Press (Independent Liberal) :

The heart of the declaration by the Imperial Conference upon the question of the status of the Empire ought to be clear enough to make it evident even to the most sceptical Nationalists on the one hand, and the most purblind Colonial on the other, that a new system by which the British Empire is to be made over into an alliance of free and equal nations has been established, and that other conceptions of the Commonwealth are out of date. Anomalies still remain, but it should now be clear that it is not the law or the technicality that is to govern but the condition of equality which has been given full recognition. The anomalies are survivals from a system which has passed ; it is the business of the Parliaments of the Commonwealth to remove them wherever they interfere with or obscure the working of the new machinery. There is considerable work of this character still to be done, but objections to it being done will perhaps disappear, since it should now be evident that the dream of a highly organised Empire, directed from a centre, has definitely vanished.

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The Toronto *Star* (Liberal) :

There is in the news that comes from the Conference much that is not new but only restated. The self-government of Canada, for instance, has long been more complete in fact than it has seemed in form. As to our treaties, our own Government has been making them. As to our Governors-General, our own Government has, practically, been selecting them. All our laws, we make them.

No attempt is being made to give the Empire a written constitution, but only to straighten out a series of evident anomalies left from the now out-grown colonial relation. It is not to be forgotten that once before, when Mr. Lloyd George was Premier of Britain and Sir Robert Borden of Canada, a good deal was agreed upon along the lines now spoken of. The equality of nationhood was to be established ; the Colonial Office was no longer to function between Ottawa and London, but the two Governments were to deal directly between the offices of the respective Prime Ministers. The arrangement was fumbled somewhere. It may be better handled this time.

The Dominions have made important progress constitutionally, but legally the B.N.A. Act stands unchanged through sixty eventful years. It needs revision in the light of the facts of the case, and it can be revised prudently and to the general advantage.

But the Toronto *Globe* offered this cold douche of criticism :

To the British people throughout the widely distributed possessions of the Empire, keenly concerned with the preservation of the ties which bind the overseas States to the mother country and to each other, the conclusions will have the appearance not so much of a compromise, perhaps, as of a surrender. They will be regarded, by some at least, as a capitulation to those elements of the population in the Dominions bent upon loosening, if not severing, the bonds without which the Imperial Commonwealth cannot hold together should interests conflict or sentiment wane.

It is impossible to term them constructive in character, for they aim at removing the foundations on which the Empire so far has rested. Their undisguised intention is to deprive Great Britain of all authority to speak for the Dominions in external affairs, or to give them counsel in domestic matters.

They are destructive, too, of the very principle of partnership, for they grant to each individual State the privilege of declining to be bound by any agreement or to engage in any enterprise on which the other members may unite. Individual interest, in fact, is to remain the sole motive governing the action of the Dominions.

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The *Montreal Gazette* (Conservative) :

The new charter is described as a formal acknowledgment of the equality of status of the Dominions with the United Kingdom under the King. Such an acknowledgment, in itself, means nothing at all ; it is something that might have been obtained at any time from any British statesmen and is, in fact, no more than has been expressed in the attitude of the British Government toward the Dominions for many years.

The *Montreal Star* (Independent Conservative) :—

There will be ready credence for the rumour that Lord Birkenhead had a great hand in drawing up the "Magna Charta of the Dominions." It is a very adroit document. It contains little that is both important and new. And yet it is so phrased that General Hertzog will be able to get up before his African audiences on the veldt and quote phrases which will seem to show that he successfully championed their most determined demands. "Equality of status" could not be more deftly laid down. But "equality of status" has been recognised within the Empire ever since Versailles. At the writing of the Treaty of Versailles we had a separate and independent delegation. That delegation signed separately and independently and, as far as Great Britain went, equality of status could not have been more emphatically recognised.

But the *Star* pointed out that this equality of status has been challenged at Washington more than once, and proceeded :

Foreign nations are apt to challenge it at any time. But the adroit document just drawn in London and accepted by all the Premiers wisely does not attempt to discipline foreign nations for their blindness. So on "equality of status" there is no change.

The *Ottawa Citizen*, the *Halifax Chronicle* and the *Regina Leader*, all Liberal papers, agreed that an important step forward had been taken in Imperial relations, but the *Ottawa Journal* (Conservative) found only a restatement of an old situation. The *Farmers' Sun* (Independent) thought it would be prudent to suspend judgment, and pointed out that the Report was far from a formal and

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binding amendment of Dominion constitutions. It regarded the Report "with all its compromises and equivocations" as a forcible statement of Dominion opinion, but it also asked :

How are you to have unity when no one may drive, and anyone may balk ? The King, everyone understands, is to sit on the coachman's box without whip or reins.

The comments of the French-Canadian papers were of an equally diversified character. Liberal papers like *Le Canada* of Montreal and *Le Soleil* of Quebec, which are unswerving supporters of the Government, professed complete satisfaction. *Le Canada*, for instance, deprecated the suggestion of some American papers that the work of the late Conference spells the dissolution of the Empire, and contended that

the ties between the Dominion and the Motherland will be strengthened when it is bound by the sentiments of fidelity which carry with them no obligation.

But *La Presse* of Montreal, which has Liberal leanings and is also the most influential paper in French Canada, expressed serious doubts about the advisability of the recent changes. It said :

Think this over : What will become of the guarantees we enjoy under Confederation when the Canadian Parliament becomes absolutely supreme in the country, and when, as a result, the British Parliament will have no control over the Dominion ?

The Canadian Parliament, if it so wishes, will have the absolute, implicit right to change, prune and amend our Constitution. Defenceless, and with no means of redress, we will be obliged to give way before the will of the majority.

In the light of past experiences, is it not right to ask whether the objective sought by some, at least, of the more vehement supporters of this theory is to wield the supreme control, exercised without right of appeal, in order to bring into effect certain aims which they have cherished for many years ?

This must make us think, and must also convince us that we

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should not sacrifice too much for the sake of this fashionable recklessness. Mere words are sometimes an extremely dangerous form of payment. They provide no funds with which to pay back what has been taken.

La Patrie (Conservative) has also been stressing the danger to minority rights which will develop if the decisions of the Conference are carried forward to the conclusion advocated by the *Manitoba Free Press*, and the following is a typical extract from its editorial columns :

The *Manitoba Free Press* is not willing to believe that the British Parliament could offer any guarantees whatever to the rights of the minorities in Canada, if a majority in the Federal Parliament were one day to attempt to remove the privileges which we now enjoy. The Catholics and French-Canadians are without protection against the encroachments of the English-speaking majority. That at any rate is the thesis which the Manitoba newspaper submits in relying on the new charter which Mr. King and Mr. Lapointe have brought back from London. Truly a fine perspective. The only authority that would prevail is that of the Parliament of Canada. The Imperial Parliament has nothing to do with us. The *Free Press* speaks so often these days of the rights of the minority and the sovereignty of Canada that we "must keep an eye on the grain." The Western allies of the Liberals would seem to be preparing an assault on something which is very dear to us. Will our representatives at Ottawa have enough perspicacity and independence of spirit to frustrate the plots of our enemies ?

II. CURRENT POLITICS

(a) *The Federal Parliament*

THE political situation in Canada has now reached a reasonable state of equilibrium, and hopes are widely entertained that the increased stability with which the Liberal Government has been endowed as the result of the last election will enable it to provide the country with more coherent policies and more efficient administration. The brief December session, however, of the new Parlia-

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ment, which lasted only a week, provided evidence that the parliamentary position of the Government may not be as commanding as had been predicted. In a House of 245 it has 119 straight Liberal supporters, and it can rely upon the general support of ten Liberal-Progressives; but although these have taken their seats on the Government side of the House they have proclaimed their intention of maintaining their separate identity as a group and of reserving for themselves a certain freedom of action. On the other hand, the balance of the agrarian members—who fall into two classes, Progressives and United Farmers—have elected to sit on the Opposition benches and have been joined there by the three Labourites. Accordingly the Government can only count upon a reliable majority of about 13. The Liberal party has had, however, the satisfaction of recapturing on January 19 a traditionally Liberal seat, Antigonish-Guysboro in Nova Scotia, which the Conservatives had carried by a small majority last October; yet there may be some doubts about the merits of victory after the successful candidate had offered an audacious and almost irresistible inducement to the electors in these words:

Here [he told them from the platform] is a list of public works for this constituency involving an expenditure of half a million dollars. If I am elected that money will be spent in the riding. If I am defeated and you return a Conservative, not a cent will be spent.

The Speech from the Throne, delivered on December 9, disclosed a modest legislative programme. This included the reintroduction of measures like the Old Age Pensions and Rural Credits Bills, a Bill to provide subsidies for coking plants, another to ratify the agreement with the Grand Trunk Pacific debenture holders, and legislation to give effect to the recommendations of the Royal Commission on maritime rights. No attempt was made to deal with any legislation before Parliament adjourned,

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but some routine business was transacted and the Opposition did not seek to hinder the rapid passage of the balance of the estimates for 1926-27, left unvoted last July as the result of the summary dissolution. The debate on the Address was commendably brief, but it afforded an opportunity for Mr. W. G. Ernst, a former Rhodes scholar, to demonstrate by his maiden speech that he is the most promising recruit introduced to Parliament by the Conservative party in recent years. Mr. Guthrie, the new parliamentary leader of the Conservatives, was temperate in his observations, and offered some desultory but unconvincing criticisms of the results of the Imperial Conference. Mr. King, in his reply, intimated his intention of deferring any detailed account of his stewardship at that gathering until time could be set apart for a formal debate upon the Report.

At the opening of the session the Government tabled the report of the Royal Commission, under the chairmanship of Sir Andrew Duncan, which had been appointed to investigate the grievances of the maritime provinces. It seems probable that the contents of this voluminous document will provide the main legislative tasks of the balance of the session, and will simultaneously provoke a substantial measure of sectional controversy. The salient recommendations made in the report can be summarised as follows :

1. Increased annual grants to provinces. Interim annual payments of \$875,000 to Nova Scotia, \$600,000 to New Brunswick, and \$125,000 to Prince Edward Island to be paid until such time as a final readjustment of the subsidies has been worked out to compensate the three provinces for the various disabilities, such as territorial limitations, which have not handicapped the other provinces under Confederation.
2. An immediate reduction of 20 per cent. on all freight rates in the Atlantic division of the Canadian National Railway system.
3. The provision of an additional ferry and railway service and of harbour improvements for Prince Edward Island, the cost to be borne by the Federal Government.

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4. The establishment of Federal harbour commissions at the ports of Halifax and St. John.

5. Immediate attention by the Tariff Board to the coal tariffs, and the encouragement of domestic coal production by Federal subsidies to coking plants.

6. A bonus on steel when made from Canadian coal.

7. Closer co-operation between maritime and Federal authorities in immigration.

8. The initiation of an effort to secure more favourable terms of entry to the United States for Canadian fish and some forest products.

What the Commission by these recommendations suggests is that the present discontents of the maritime provinces should be soothed by generous largesse from the Federal Treasury and by a series of economic changes which are calculated to promote their prosperity. But the proposals in regard to higher subsidies and special freight rates cannot fail to generate from other parts of Canada demands for similar favours. The western members, Liberals and Progressives alike, will be likely to demand some return for their acceptance of the Commission's proposals in regard to railway rates. Indeed, the whole question of railway rates bids fair to become a storm centre of parliamentary controversy at no distant date, and inevitably the contending and almost irreconcilable clamours of sectional interests will be given free rein. Some time ago the Railway Commission was entrusted with the task of remodelling the whole freight-rate structure of the Dominion, and for months it has been muddling along over this very complicated enterprise without achieving much progress. The personnel of the Commission no longer commands general public confidence. In the prairie provinces definite charges are being made that the two great railways are deliberately flouting the decrees of the Commission and of Parliament in the matter of freight rates, and many westerners are no longer disposed to trust in the Commission's authority. It was this feeling of distrust which brought the question of railway rates back into the

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political arena a few years ago and revived the very evils which the Railway Commission was created to obviate.

(b) The St. Lawrence Deep Waterway

The appointment of Mr. Vincent Massey as Canada's first Minister at Washington has been received with general approval and he will assume the duties of his office in February. He need not be idle for lack of interesting work, and there are signs in evidence that the St. Lawrence Deep Waterway may provide him with an opportunity of earning his diplomatic spurs. The unqualified approval of the scheme by the United States Advisory Committee, of which Mr. Secretary Hoover is Chairman, has revived interest in the project on both sides of the international boundary. This approval followed the report of a joint engineering board, in which complete agreement existed on the aspects of the scheme concerning navigation, but a difference of opinion between the Canadian and American sections was expressed as regards the plans of power development. Impelled by the political necessity of conciliating the discontented farmers of the Middle West, who believe that the canal will lower their costs of transportation, President Coolidge's Administration has virtually committed itself to the project, and the next move obviously lies with Canada. The publication of the report of the Canadian Advisory Committee has been delayed, and probably in its deliberations a conflict of sectional interests, which has also been raging in the United States, has found expression. The ports of Montreal and Quebec have hitherto shown a resolute antagonism to the scheme, under the belief that it would imperil their trade, but in recent months there have been indications from Montreal of a certain softening of the local hostility.

In any case, the Rt. Hon. George P. Graham, the Chairman of the Canadian Advisory Committee, who has recently been appointed to the Senate, has resigned his

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post, and there are authoritative rumours abroad that Mr. King himself will fill his place. Such a step would seem to indicate that the Canadian Government was prepared to co-operate in this great project, which, when completed, will permit the uninterrupted passage of ocean vessels to the very heart of North America, and will make possible the development of a vast quantity of hydro-electric energy on the St. Lawrence. Since many members from Ontario and the West favour the scheme, the approval of Parliament could easily be secured ; and definite negotiations about the apportionment of cost, a plan of joint control, and other details could be commenced at once by Mr. Massey.

(c) *Mr. Bruce's Visit*

Few visiting statesmen who have made a pilgrimage through Canada have enjoyed such an enthusiastic reception as did Mr. Bruce of Australia ; and the vigorous speeches in which he proclaimed to crowded audiences his Imperialist faith and his views on the problem of Imperial defence, while they have drawn down upon his head both hearty commendation and sharp censure, have also left an aftermath of interesting speculation. For a guest of the Government his utterances were astonishingly frank ; he did not hesitate to expose by the quotation of statistics the comparative meagreness of Canada's contribution to Imperial defence, and to suggest in unequivocal language that, having now obtained full recognition of her constitutional rights, the time had come for Canada to take a more generous view of her responsibilities. Mr. Bruce used what he claimed to be a relative's right to speak freely for the delivery of his hortative *obiter dicta*. Mr. Coates of New Zealand arrived a few days later and uttered similar sentiments in milder tones. Since then the *Ottawa Citizen*, which is usually considered to be in close touch with the Government, has published editorials on the

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necessity for an expansion of Canada's naval forces. The question of Imperial defence, after lying dormant for years, seems to be beginning to come to life. In view of the unhappy experiences of the Liberal party with its one and only naval policy, the policy which bestirred Mr. Bourassa to organise the Nationalist party in 1910, it is unlikely that the Government has taken any decision to increase the expenditure on defence. So far the reactions from Quebec to Mr. Bruce's pleas have not been auspicious; Conservative papers like *L'Événement* of Quebec City have joined the Liberal press of the province in denouncing Mr. Bruce as an instrument of Imperialist propaganda, and in reprobating what is described as his attempt to dictate a defence policy to the Canadian Government.

(d) The Defeat of Prohibition in Ontario

At a provincial election held on December 1 the voters of Ontario supplemented the evidence already furnished by referenda in the four western provinces that public sentiment in Canada in regard to liquor laws has undergone a marked change, and that the prohibitionist régimes which, during the war years, were imposed upon every province except Quebec, have fallen into disfavour. At this election the Conservative Government of Mr. Howard Ferguson obtained a decisive mandate to abolish the Ontario Temperance Act, which enforced prohibition, and to establish a system of liquor sales under Government control modelled upon the schemes now in operation in Quebec and the four western provinces. Mr. Ferguson announced that he would stand or fall by his liquor programme; all other issues were submerged, and there was visible the healthy novelty of a clear issue in a provincial contest. No election in recent years has been fought with the same energy and keenness. Normal party lines were broken down, and the defection of "dry" Conservatives was, as the event proved, much more than balanced

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by support given to Government control by a large contingent of "wet" Liberals. For one thing, the French-Canadians of Ontario have never been able to reconcile themselves to the absence of the alcoholic freedom which their kinsmen on the other side of the Ottawa River have continuously enjoyed; and the group of French-Canadian Liberals who sat in the last legislature all ran as avowed supporters of Mr. Ferguson's policy. Furthermore, the retreat of the western provinces from prohibition, the increased difficulty of effective enforcement of the Ontario Temperance Act when "wetness" prevailed east, north, and west, and the revelations of the wholesale demoralisation of the Customs Service through the illicit liquor trade, had convinced many people who had previously voted for prohibition that its evils outweighed its benefits. The result surpassed the most sanguine hopes of the Government, for they secured 74 seats out of 115, and five other "wet" candidates were returned. 689,755 ballots were cast for Government control, and 448,123 against, giving a majority of 241,632. At a plebiscite held on the question in 1924, prohibition was upheld by a majority of 33,000, so that there has been a remarkable reversal of feeling in two years. Armed with this clear mandate, Mr. Ferguson's Government will, soon after the new legislature meets in February, introduce the necessary legislation. This is unlikely to become operative until midsummer, but, thereafter, the people of Ontario will be able, under a system of permits, to buy liquor of all kinds at a series of government shops which will be managed by an independent commission. To-day in Canada only the three maritime provinces adhere to "dryness," and it is freely predicted that the Governments of Nova Scotia and New Brunswick will give their electors an early opportunity of passing judgment on prohibition.

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January 22, 1927.

AUSTRALIA

I. FEDERAL POLITICS

SINCE the defeat of the Referendum proposals the Federal Parliament has been in recess and the Prime Minister, the Minister for Defence and the Attorney-General have been absent from Australia, Mr. Bruce and Sir Neville Howse at the Imperial Conference, Mr. Latham at the Assembly of the League of Nations at Geneva and afterwards with his colleagues in London. No doubt when Mr. Bruce returns there will be an active discussion of the results of the Conference. At present there is so much uncertainty as to the effect of its decisions that little public interest has been shown beyond some expressions of relief that the acute divisions, the possibility of which was mentioned by Mr. Bruce when referring to the Conference in Parliament, do not appear to have occurred. The most conspicuous event of the recess has been the visit of the Imperial Parliamentary Delegation. The delegation included representatives of Great Britain, the Irish Free State, South Africa and New Zealand under the leadership of the Marquess of Salisbury, and among the British delegates were members of all three political parties. The delegates had an ample opportunity of studying the varied resources of Australia, the field open to migrants and the opinions of public men, for they were called upon to traverse vast distances and to make or listen to innumerable speeches, an experience shared by many missions to

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Australia. They also took part in debates in the Federal and in some of the State Parliaments at which the subjects of migration, of marketing and of reciprocity in trade were discussed with vigour and freedom. The delegates were at pains not to appear to instruct and not to express opinions on local affairs, but the exposition of pronounced views on the subjects mentioned cannot fail to have been of great value. Their gift to the new Parliament House at Canberra of a model of the Speaker's Chair at Westminster was a gesture of friendship and of community in ideals which is much appreciated.

Three decisions of the High Court have helped to elucidate the constitutional questions mentioned in the last number of *THE ROUND TABLE*.* The State of South Australia in order to raise money for the improvement of its roads had imposed a tax on petrol produced and sold within the State. This tax was successfully attacked by the Commonwealth as an infringement of its exclusive right to impose duties of excise. The Commonwealth roads scheme was in its turn attacked by the States on the ground that the Commonwealth had no power to appropriate money for the improving or making of roads. It was defended as coming within the express powers of the Commonwealth to legislate for defence or for trade between one or more States or to assist necessitous States, and was upheld. The result has been that the States of Victoria and South Australia have now agreed to the Federal scheme, which provides for the expenditure over a period of 20 years of a sum of £35,000,000 on roads, of which the States provide 15s. for every £1 contributed by the Commonwealth, and the only dissenting State is now New South Wales. The third decision relates to the powers of the Federal Court of Industrial Arbitration. Certain trade unionists whose industry was the subject of a Federal award applied for an increase in wages to one of the Conciliation Committees appointed by the Government of New South Wales. The Federal

* *THE ROUND TABLE*, No. 65, December 1926, pp. 170-181.

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Industrial Court then issued a prohibition to the State Committee against dealing with a matter which had come within the Federal jurisdiction, and its action though criticised with vigour by the State Industrial Commissioner has been upheld by the High Court. Apart from these decisions, Federal politics have been uneventful. Dr. Earle Page, the acting Prime Minister, in a number of speeches has emphasised the need of a policy of development, and Mr. Pratten, the Minister of Customs, has spoken in defence of the tariff claiming that in many industries an increase in duties has been followed by such an extension of production that prices have been reduced.

II. WESTERN AUSTRALIA AND THE COMMONWEALTH

AN arid unproductive area divides the west from the east of Australia as completely as the sea divides the latter from New Zealand. Even Kalgoorlie is over a thousand miles by rail from Port Augusta in South Australia. Fremantle is 1,886 miles from Melbourne by sea. Wellington in New Zealand is only 1,200 miles from Sydney. Moreover, there are only 370,000 Western Australians as against 5,700,000 in the eastern States.* The point needing explanation is not that the west is restive, but that she ever consented to enter into so unequal a yoke. The explanation may be found in (i) the gold rush which submerged, at a critical phase of the federal movement, an old colonial community suspicious rather than united in feeling with the eastern colonists, a community moulded by nature and isolation into pastoral and agricultural forms; and (ii) the re-emergence, amongst "tothersiders" and "gropers" alike, in the reinforced western population, of the ineluctable effects of isolation.

Founders of the first free colony, the Western Australians were driven by necessity to ask in 1848 for a supply of

* See the appended map.

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convict labour for public works. This antagonised their eastern neighbours, just emerging from the mire of transportation. Antagonism remained even after the end, in 1868, of the convict episode. Isolated and somewhat hardbitten through poverty, the Western Australians held aloof until 1890 under Crown government. They were dubbed "sand groppers" by the wealthier East. Then responsible government and the discovery of gold wrought a dramatic change. With a rush came thousands of pushful restless "tothersiders," eager to skim the cream of the gold-fields' trade, and to use self-government as a means of favouring every new development. As the population advanced from 49,782 in 1891 to 184,124 in 1901, the "tothersiders" far outnumbered the "groppers," and threatened to take charge of the colony. The gold-fields around Kalgoorlie clamoured for a railway-port at Esperance, to make them less dependent on the Swan River colonists, and to lessen the distance by sea from their eastern homes. The new community seemed likely to bridge over the gap of arid uninhabited land that had hitherto separated the two Australias, but it imported rather than diminished inter-colonial antagonism.

The "tothersiders" naturally evinced a keen interest in the movement to place the map of Australia and all that lay therein under one Government. Long talked of in the eastern colonies, to the old Western Australians this federal movement had been hitherto a matter of indifference. Their delegate to the 1881 and 1883 conferences had been instructed to refrain from voting on any resolution. At the Australasian Federal Convention of 1890, Sir James Lee Steere had made it plain that Western Australia would not sacrifice her existing tariff, the new Government's main source of revenue. This reluctance to surrender the integral self-government which they had just gained, continued to mark the Western Australian delegates at the federal Conventions of 1897-8, who represented not the popular choice as in the other colonies, but the Perth

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Parliament in which the rapidly growing gold-fields were then under-represented. They soon sensed danger to their future in the plan of leaving the surplus customs revenue, after the cost of the transferred services had been met, to the disposal of the Commonwealth Parliament. Quoting the terms of the first resolution passed at the Adelaide session, 1897—

That the powers, privileges and territory of the several existing colonies shall remain intact, except in respect to such voluntary surrenders as may be agreed upon to secure uniformity of law and administration in matters of common concern,

they argued that the Federal union was a limited one, intended only for certain enumerated objects, such as defence and posts. There should therefore be full guarantees for the return of the surplus revenue to the individual States once these purposes had been met. Otherwise, with the Federal power of taxation unlimited, after a short transition period the Commonwealth would have the whip hand to alter at will the whole basis and distribution of powers. But it was in vain that Sir John Forrest and his associates urged consistency between the constitutional and financial provisions of the union. Kalgoorlie and Westminster conspired to betray them. The emotional zeal of the strangers within their gates for a national Government, in which their eastern kinsmen would be supreme, brooked neither delay nor argument. When the Parliament at Perth refused to submit the Federal Enabling Bill to a popular referendum, the gold-fields sent a mass petition to the Colonial Office, asking for a new colony with Kalgoorlie for capital and Esperance for port. And this "Separate to Federate" movement found favour in high places. In April, 1900, while Forrest was fighting for terms, Mr. Joseph Chamberlain pointedly drew his attention to it, in urging the colony's entry into the Commonwealth as an original State. Under such pressure the Parliament at Perth had to be content with the terms offered at the

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Sydney Convention, viz., the retention for five years of Western Australia's inter-colonial tariff, reduced annually by a fifth. After the five years, inter-State freedom of trade would be complete. After ten years, the Braddon clause requiring the return to the States of three-fourths of the customs revenue would terminate, and the Commonwealth would be potentially supreme. By a popular majority of 44,800 votes to 19,691 the Western Australian electors declared their willingness to accept federation, with such slight allowance for the disadvantage of distance as was contained in the temporary and tapering right to tax the high consumption per head that then characterized the west.

For a decade all seemed well enough. The gold industry reached its maximum output of between eight and nine millions in 1903-4-5. Its yield was still above six millions in 1910. Such wealth carried the young State along upon a high tide of prosperity. Its public finance, it is true, did not show the favourable figures of the years of responsible government, 1890-1901, during which £2,144,100 had been spent out of surplus revenue upon public works, after full provision had been made for sinking fund payments in reduction of debt. Yet even for the decade 1901-1910 the State still showed a surplus, though a diminished one. Then the tide ebbed, the gold yield petered away, and the Federal tariff, framed in the interest of Sydney and Melbourne manufacturers, put a heavy brake upon the expansion of other primary industries, on a scale adequate to the absorption of the displaced miners, and to the continued growth of the State's population.

Gold was found in Western Australia in rich patches and streaks rather than in masses of low-grade ore. It was thus inevitable that success should reduce the attractions of mining as a magnet for population. Rich alluvial and shallow finds grew fewer. The wages-man settled down where the prospector had come and gone. In company mining, moreover, Western Australian fields were doomed,

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by economic causes of world-wide scope, to decline more rapidly than those of Victoria and New South Wales had done. The older fields had won a bigger percentage of the world's total output during the 'seventies and 'eighties. Therefore as their production dropped and the monetary demand for gold grew, they were helped along by the scarcity value of their gold and the consequent fall in prices and costs. Each pennyweight of gold, as it grew in purchasing power, paid for more of the labour and commodities needed to win it. Companies could thus continue to show a profit on ore that gave a smaller yield to the ton. In the west, on the contrary, gold has been falling in value per unit won, during the period of diminishing returns to mining, owing to the influence of the increasing total outputs from the Transvaal and Canada. Thus yields have fallen and costs have risen simultaneously. Mine-managers have been forced to limit their treatment to richer and richer ores. With the war, too, came paper prices, and costs per ton of treatment shot up from 19s. 9d. in 1915 to 38s. 7d. in 1921. Mine after mine was squeezed out, and Kalgoorlie, once the equal of Perth in importance, has lost population only less quickly than she gained it. The gold-fields are now over-represented in the State Parliament to a greater degree than formerly they were under-represented. Though still above two millions, the gold yield is falling year by year.

This accelerated decline in the mining industry placed the rulers of the State under the necessity of speeding up the usual transition from gold to perennial forms of production. For gold, though it attracts, can nowhere hold population. In their search for other occupations Western Australians had little choice. The termination of the inter-colonial tariff in 1905 made impossible for them the policy of protection by which Victoria had nursed secondary industries into existence to employ her ex-miners. "A bar," to quote David Syme, "is put upon the attempt at the very outset." Nor was it likely that manufacturers

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would choose the west as a base from which to supply the distant Australian market. Concentrating attention, willy nilly, on primary production, the State Government set about the rapid extension of wheat-growing, which, when the century opened, was inadequate to home consumption. Light railways were built throughout the western half of the wheat belt, that magnificent tract of patchy land but assured winter rainfall, between the 20 in. and 10 in. isohyets, which stretches from Geraldton to Esperance, in area larger than England and Wales. Through the Agricultural Bank, established by Forrest in the 'nineties and now first vigorously used, advances of loan funds were made to farmers up to the full cost of the permanent improvements needed to bring farms to the cropping stage. There followed a splendid increase in wheat production, from 2,460,000 bushels off 585,000 acres in 1908 to 13,331,000 bushels off 1,537,000 acres in 1913, and after a war-time decline a second advance from 11,220,000 bushels off 1,041,000 acres in 1919 to 30,000,000 bushels off 2,446,000 acres in 1926. Thanks largely to Sir James Mitchell and the Hon. W. C. Angwin, wheat is now the rapidly growing premier industry of the State, and moving towards the lead among the Australian exporting States. About 1911 the Scadden Government, while pushing the wheat development with energy, sought to add a forward policy for the sparsely-peopled north-west. It established first State steamers, and then a big freezing works at Wyndham in the far north, with the two objects of aiding the cattle and pastoral industries in those parts, and keeping down the cost of living in the main centre of population, the south-western division. This latter aim was further followed in the establishment of State brick works, State agricultural implement works, and even State butchers' shops around Perth. No avenue to the increase of the community's primary production was wittingly left unexplored.

Even before drought and war came simultaneously in

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August 1914, to weed out the weaklings and to draw away the most vigorous of the State's manhood, the leaders of all parties had become aware that the working of federation was confusing and weakening the public finances, and trammelling their efforts to expand primary production.

Developments in the financial relations of States and Commonwealth during 1908-1910 justified fully the contention of the Western Australian delegates, as to the need of guarantees for the refund to the States of the surplus customs revenue. In the former year the Commonwealth Parliament hit upon a plan of preventing surplus revenue from accruing, and was upheld by the Federal High Court against a challenge from the State of New South Wales regarding the legality of that plan. The scheme was to appropriate into trust funds, until actual disbursement, moneys which would otherwise, under the Braddon clause, have been surplus for distribution to the States. In any event, however, that clause, which required the return to the States of three-fourths of the customs revenue, ceased to operate in 1910, and the Federal Parliament would then obtain a free hand in finance. Every omen foretold a free use of it. A constitutional amendment which would have bound the Commonwealth indefinitely to return to the States 25s. per head of population per annum, and to make an additional tapering grant to Western Australia, beginning at £250,000 per annum, was decisively rejected early in 1910 through big adverse votes in Victoria and New South Wales. In its stead the Federal Parliament passed a measure making the proposed grants to the States for ten years, and thereafter until that Parliament otherwise provided. But this was an act of grace without the constitutional sanction. It masks but it does not abolish the financial freedom of the Commonwealth Parliament. That freedom places in jeopardy the taxing powers of every State, through the entry of their powerful rival into any and every field of revenue. In the eastern community, more closely united every year

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by improving transport and industrialization, this is a small matter. In the west the differentiation between the two communities makes it a danger.

The protectionist tariff, however, is more than the substitution of a distant for a local government. It is an all pervading cramp upon free development in the primary industries. Everywhere and on everyone in Western Australia it operates as an unmitigated cause of high prices. For it brings no compensating benefit, as in the eastern capitals, to protected industries. To farmers, pastoralists, timber companies and fruit-growers, selling their products in the open markets of the world, the tariff means increased costs which cannot be passed on. In every primary industry it limits profit and expansion. No more striking instance can be given than its incidence upon wire-netting. This is a necessity of life in the back country. The pastoralists now pushing east in the mulga and salt-bush country of the Murchison and North Kalgoorlie regions must have it to keep their flocks safe from wild-dogs, bred from the native dingoes and strays from the miners' camps. With water at shallow depths and good "top-feed," the dogs are the main trouble, and wire-netting the one way to beat them. The farmers in the eastern wheat belt must have it to fence their wheat crops from the rabbits. In spite of lavish State expenditure on two rabbit-proof fences—one of which runs from the north-west coast to the Bight, 1,300 miles—the rabbit army has made the long trans-continental march, and appeared during the last decade throughout the west. Yet the Federal Parliament, in its zeal to see the tall chimneys smoke at new Australian factories, chose for several years to levy heavy duties on wire-netting and barbed wire, thereby restricting the extension of two most promising industries, for which the soil and climate of wide areas in the west are admirably suited. Latterly the Commonwealth has attempted to palliate the wrong by granting money to the State, to purchase wire-netting for re-sale on

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long terms to farmers and pastoralists, a typical piece of political prestidigitation seeking to bluff away economic facts.

Broadly and definitely, the tariff, to the extent of its full burden in customs collected and prices increased, has weighed against and nullified the efforts of the State to encourage and equip the primary industries. Even such stalwart protectionists as the Federal Tariff Board reported in June 1924 on the unjust incidence of protection upon Western Australia :—

Whatever additional cost the policy of protection may add to the price of goods and material imported by the Australian consumer, the citizens of the eastern States gain as a compensating advantage the presence of a large production and manufacture. Such is not the case in Western Australia, which is so placed that at present it has to bear whatever burden may arise under the protectionist tariff without reaping any of the accompanying advantages.

This lop-sided effect has been appreciated by the primary producers in the west since 1912, and by the whole people since the drought of 1914-15. Its burden has been made more grievous by the stagnation in the development of the wheat industry consequent, between 1915 and 1919, upon the withdrawal to the Australian Imperial Forces of an honourably high proportion of the State's manhood. That stagnant time was the principal cause of the accumulated deficit in the State's finances. Fourteen millions had been borrowed in the seven years before the war, and spent mainly on agricultural railways or on loans to farmers for the work of clearing land. The interest bill thus incurred was to have been met from the profits of cultivation and from the railway revenue won in serving the new farming areas. War-time stagnation left the State saddled with the interest but shorn of the revenue from its new assets. The Treasurers of the day had perforce to fall back on income and other taxes, which as a result were raised to heights unusual in Australia. Even so, there emerged huge deficits which were added to the State debt.

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Rates of taxation markedly higher than those ruling in the other States, moreover, could not fail to cause investment outside the State by its wealthier citizens. The Deputy Federal Commissioner of Taxation submitted to the recent Commission* comparative tables showing the wide difference in the taxes on all incomes between Western Australia and Victoria, and on incomes over £5,000 between Western Australia and any other State. On an income of £6,500 from personal exertion the tax in Western Australia was in 1925 £1,141 greater than the Victorian tax, £902 greater than the South Australian. On a similar income from property, the Western Australian tax was £929 more than the Victorian, £749 more than the South Australian. "Many of the tax-payers in this State, who have to pay, say, from 2s. in the pound upwards," another important witness told the Commission, "do not re-invest their surplus moneys in Western Australia, but remit them for investment to other States, particularly Victoria, where the maximum State tax is only 6½d. in the pound."

Universal resentment against the effects on Western Australia's public finance and primary industries of the Federal taxing power, and especially of the tariff, was obvious in the evidence tendered to the Commission. No such unanimity, however, was to be found in the suggestion of remedies. Many favoured secession from the Commonwealth, even though unable to say by what means this could be brought about. Mr. Entwistle, one of the three members of the Federal Commission, reported in favour of cutting the knot by secession. "In my opinion," he wrote, "Western Australia should never have entered the Federation, but having done so, there is, I feel convinced, only one complete and satisfying remedy for her present disabilities, viz., *secession*." Even avowed secessionists, however, contemplate a continued association

* Royal Commission on the Finances of Western Australia as affected by Federation, appointed by the Commonwealth Government, November 5, 1924. Report ordered to be printed, September 23, 1925. No. 49, F. 2517.

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with eastern Australia for purposes of defence. Their main aim, freedom from a customs tariff designed to stimulate secondary industries in which, for geographical reasons, the west cannot hope to share, seems indeed to call for little beyond the grant to the State of tariff autonomy, which a majority of the Commission recommended, for 25 years, "*and thereafter until the Parliament otherwise provides.*" Australia, the majority argued, enjoys such fiscal autonomy within the Empire. Why not Western Australia within the Commonwealth? The acting Premier, the Hon. W. C. Angwin, setting aside the question whether tariff autonomy would solve Western Australia's problems, expressed on behalf of the State Government, scepticism as to its practicability. It would require not merely a favourable vote in the west—that would be a foregone conclusion—but also a majority in at least three of the eastern States. These States would be asked to vote for the surrender of part of their manufacturers' and other producers' sheltered markets. If a constitutional amendment proved unattainable by such means, it is hardly likely that the British Parliament would, in response to a Western Australian petition, amend the Commonwealth of Australia Constitution Act of 1901, section 51 (ii) of which permits only such taxation as does not discriminate between States or parts of States.

There remains, however, the expedient of varying the refund of Commonwealth revenue in accordance with the needs of the States. This may be done, and has been done ever since 1910 for Western Australia's benefit, consistently with the Constitution. It was the open way to a prompt relief of Western Australia's disabilities, and the majority of the Commission therefore recommended the supersession of the remnant of the tapering grant of 1910 by a larger "special payment of £450,000 per annum, in addition to the 25s. *per capita* payment, until the State is given the right to impose its own customs and excise tariff." Commissioner Mills, while agreeing with the

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expediency of a special payment, recommended one of £300,000 per annum for ten years. Action has been taken by the Federal Government on the latter suggestion, but its continuance is promised for five years only. The amount of the grant for 1926-7 has been sufficient, in conjunction with the splendid expansion of the wheat yield, to lift the State finances for the first time since 1911 out of the rut of deficits.

There remain in the background, however, two problems which must give anxiety to Western Australian Treasurers, the transport service of the North-West Territory (as the part of the State north of the 26th parallel of latitude is called), and the unwieldy size of the State debt. The transfer of the North-West to the Commonwealth is the subject of negotiations still proceeding between the State and Federal Governments. If the State will agree to the transfer, the Federal Government proposes to make it a further grant of £150,000 a year. As to the State debt, which began to outrun in scale those of the other States about 1908, and is now over £150 per head, a more rapid increase of population is needed, through a closer settlement of the wheat lands, and the wet south-west. Group settlement in that area has been costly, and the earlier policy of group improvement of individual holdings was unsatisfactory, but the scheme has created as many as 2,328 new farms, with a farming population of ten thousand people. At present Western Australia has over ten miles of government railways per thousand of population as compared with $4\frac{1}{2}$ miles per thousand in the Commonwealth as a whole. Her railways, even so, pay the interest on their cost of construction, showing better figures as a rule than those of any other State. Given (i) a better yield from her wheatlands as a result of better methods all round, (ii) closer occupation of both light lands and heavy which such methods would encourage, and (iii) continued advance in dairy production, Western Australia could carry with her present equipment of transport, harbours and water-

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works, a population to whom the present debt would no longer seem unwieldy. The recent rapid expansion of her output of wheat, dairy produce and other primary products is evident sign of the scope awaiting new settlers.

III. NEW SOUTH WALES

THE Premier, Mr. Lang, being unwilling to acquiesce in the defeat of his first effort* to abolish the Legislative Council, advised the Governor to appoint additional members on the assumption that, as His Excellency acting on his advice had made twenty-five appointments in December, he would in March, if requested, further increase the strength of the Government. This Sir Dudley de Chair refused to do. The position was regarded as so extraordinary, according to the Attorney-General, as to warrant that the case should be fully discussed in a personal interview with the Secretary of State for the Dominions. This Mr. McTiernan, the Attorney-General, in due course did. The result of his mission, and his views on the issues involved, are to be gathered from the report, the belated publication of which synchronised with a special conference of the Labour movement convened to deal with the situation arising out of differences within the Parliamentary Labour party, and to consider the report of a committee appointed to revise the rules relating to the composition and control of Labour Conferences. Apparently the Secretary of State has steadily adhered to the opinion that the matter is essentially one to be settled in New South Wales, not in London. By implication the British Government may be taken to have replied that the authority to determine the question at issue is the electorate of New South Wales. With that view there is general agreement throughout the State. In reporting to the Crown his inability to accept his Ministers' advice the

* THE ROUND TABLE, No. 65, December 1926, pp. 623-632.

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Governor doubtless submitted the grounds of his dissent. These have not been published, but according to the Attorney-General the Governor relies on his sixth instruction as giving him a discretion, if sufficient cause exists, to act in opposition to the advice of his Ministers. Much pressure from them has not shaken his decision. His last word would seem to be a suggestion that his advisers should put matters to the proof by asking the British Government to recall him. The root of this controversy is to be found in the instruction alluded to above. The present instructions are dated 1900 after the passing of the Commonwealth Constitution Act, but similar instructions were given to Governor Darling one hundred years ago. Obviously the discretion is only to be used at the present day in exceptional emergencies, and its exercise has been rare, but the recent constitutional crisis in New South Wales has shown that the existence of some such power in the Governor is necessary. It may be said of such a power "that its repose may be the means of its existence; and its existence may be the means of saving the Constitution itself on an occasion worthy of bringing it forth."

The Premier and his colleagues argue that if Ministers persist in their advice, the Governor should invariably follow it. Responsibility for acts of the Crown should rest with them, and them alone. If they act contrary to the wishes of the electorate, retribution will overtake them at the next elections. The Crown's representative is then above the battle and the Imperial connection is not likely to be associated in the minds of strong partisans with any particular political group or set of political principles. This view was unanimously endorsed by the special conference of the Labour movement, which "strongly protested against the action of the Governor in reviving Crown Colony methods of government in this State by refusing to permit his Ministers' advice to prevail over his own personal opinions," and declared "that the Labour movement stands for the supremacy of the elected repre-

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sentatives of the people and will not tolerate any such violation of the Constitution as is shown in the exercise of autocratic power and a personal veto by the Governor who is appointed from abroad, comes here as a stranger, and remains but a few years." In the judgment of many, however, Crown Colony methods have not been revived, and the status of New South Wales as a self-governing unit is not imperilled. The Government has, it is true, been prevented by the Governor from performing a major operation upon the Constitution until it receives a positive mandate from the people to do so. By his action, it is felt in many quarters he has done good service and shown the necessity for a check of some such kind on an executive prone to exceed the limits imposed by its own express undertakings.

The Attorney-General concluded his report with a recommendation that the Premier should seek the opinion of the Legislative Assembly on the issue involved and cable it to the Secretary of State for the Dominions. An unexpected political crisis compelled the Government to defer further action in the matter. For some time dissension within the Parliamentary Labour party has been acute. The leadership of the Premier was so distasteful to 50 per cent. of the members of his party that they tried to dislodge him and to make way for Mr. Loughlin, the Minister for Lands. Alarmed by this insurgence the industrial section of the trade unionists, whose bias is to the left and with whom Mr. Lang is *persona gratissima*, took action to silence further criticism of their champion. By 274 votes to 4, the conference confirmed him in the premiership for the life of the present Parliament, and authorised him "in the event of circumstances arising which, in his opinion, imperil the unity of the party, to do all things and to exercise such powers as he deems necessary in the interests of the movement." "Conference has spoken," runs the editorial in the *Labour Daily*, "and Mr. Lang's detractors within the Parliamentary Labour party have been assessed at their

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true value by the massed workers in the unions and leagues by whose efforts alone a Labour Government is possible." To the consternation of the Premier's friends, Mr. Loughlin resigned from the Ministry, and with two other Labour members, seceded to form the nucleus of a Country Labour party. They refused to acquiesce in a dictatorship conferred by a "packed" conference and exercised, nominally by the Premier, in reality by an extra-parliamentary group. Such an innovation they denounced as fatal to freedom of discussion and voting in the party room, and irreconcilable with the principles of the Labour movement. With their support the Opposition would have had a majority of one on the floor of the House. That support was, however, withheld because of the promise extracted from the Government, when faced with defeat on a censure motion, that it would abandon its budget proposals and within four months appeal to the electorate, and so afford the three members an opportunity to secure a verdict from their constituents. Supply for four months was granted and Parliament prorogued. Since then the Government has provided itself with a majority by securing the support of one at least of Mr. Loughlin's followers, and ignoring the promise by which defeat was averted has decided to begin a new session on December 20 to pass the budget and to go on with legislation, a course which, by the way, appears to be of doubtful legality, as the period for which Parliament was prorogued has not expired and there is no statutory provision, as in England, under which Parliament may be previously summoned.

Apart from the constitutional controversy and the political crisis, there has been a matter of some economic interest in the conference held in September at Bathurst, on Mr. Loughlin's suggestion, to examine problems of the primary industries from the point of view of both producers and consumers, though it can scarcely be said that any new and original suggestions have been made. In a friendly atmosphere, the problem of marketing was

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considered by 219 representatives of whom 139 were men engaged in the industries and elected by actual producers, 61 were nominees of recognised groups of consumers, and 19 were selected by such public bodies as the University, the British Medical Association, and the Government Savings Bank to secure to the delegates a measure of expert and technical advice. Valuable preliminary work was done by the officers of the Lands Department. A mass of important facts relating to staple primary industries were presented to the delegates in an arresting and intelligible way. Statistics and the graphs based on them, which, however, only cover a period of six months, support the complaint that the "spread" or the difference between the prices paid by the consumers and the net return to the producers is too wide. In July 1926, for example, consumers in Sydney paid at the rate of 28s. per cwt. for pumpkins, 24s. 9d. per case for apples, 14s. 7d. per bushel for peas, 23s. 4d. per cwt. for potatoes, 14s. 9d. per half case for tomatoes, and 16s. per half case for grapes. The net return to the producer in each case for the same quantity was 6s. 4½d., 5s. 9½d., 6s. 1d., 13¾d., and 2s. 9½d. respectively. The vivid graphical representation of such facts stimulated thought and comment and quickened determination to try to find remedial measures. The gap between the return to the producer and the consumer is much smaller where, as in the dairying industry, the producers are well organized along co-operative lines. Many interesting inferences might be drawn from the statistics. They give pause, for instance, to the contention that a fall in the cost of production will be followed by a roughly corresponding fall in price to the consumers, or again that a rise in retail prices will induce slackening in demand in the case of non-essential commodities. Various committees of the conference stressed the importance of the problem of distribution, in the sense of disposing of the commodities produced; the need for greater co-operation between producers in the production

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and marketing of their commodities; the value and potential helpfulness of the Co-operation, Community Settlement and Credit Act, 1924; and the need for the Government to facilitate the marketing of perishable commodities and to encourage the decentralization of markets. The principle of collective marketing and distribution was generally favoured. It was recognised that to make this principle effective, control by some central authority was essential. Delegates differed sharply, however, as to the constitution of that authority. Some committees were definitely hostile to Government interference of any kind. Almost all would give the producers control of the boards handling their particular product. Some of the consumers' representatives, however, held as strongly that where the commodity was intended for the local market, the consumers could not allow any group of producers to secure a monopoly control of the prices and the distribution of essential foodstuffs. They accordingly favoured the creation of boards on which consumers and producers were equally represented with an independent chairman appointed by the Government.

IV. VICTORIA.

THE Parliament elected in Victoria in June 1924 is reaching the close of its term and present forecasts give March or April as the time for the election of its successor. Its last session has been mainly given to the re-distribution of seats in the Legislative Assembly, a task inherited from its predecessor, which was dissolved on the failure of the scheme brought forward by the Government then in office.*

After the election of 1924, the new Assembly was constituted as follows—Labour 28, Farmers' Union 13, Nationalists 18, Liberals 5, Independent Liberal 1—total 65.

* THE ROUND TABLE, No. 56, September 1924, p. 833.

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The Nationalist Government, defeated in the Assembly, resigned in July. A Labour Government took its place, and held office until November, when it was defeated by the combined votes of the other sections. The leader of the Country party, Mr. Allan, formed a Government consisting of 6 Nationalists and 6 Country party members, and it is this Government which is now in office.*

At no time has the Ministry had any security in Parliament or any great hold on the electorate. There was a good deal of friction between the Country party and its allies, and much resentment at a party numbering only a fifth of the House holding the Premiership and half of the seats in the Cabinet. The Nationalist-Liberal members were themselves a combination of groups rather than a party, and the loose political relation favoured independent action among their "supporters" which was at all times embarrassing to the Government. We have yet to discover the perfect mean between rigid party discipline and an independence which in the small Australian Legislative Chambers may make one or two single individuals, of no great merit either in ability or character, for the moment all powerful. The political free-lance has been encouraged in Victoria on the National-Liberal side by the fact that Labour, although it has had two brief terms of office, has never been in a position to command power. A Labour Government in 1925 or 1926 would have been as short-lived as that of 1924. There was no remedy for the political chaos in reconstruction. No group or combination of groups would have found itself in a happier or more secure position than the Allan Ministry. In these conditions, Parliament drifted into its last session, when the Government soon made up its mind that the only serious business before it was to carry through the re-distribution of seats, and then go to the country.

The last re-distribution of seats took place in 1903, and great and unequal changes in electorates have taken place

* THE ROUND TABLE, No. 58, March 1925, p. 388.

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since then. The growth of population has been in the "metropolitan" group much greater than in the "country" group; while in both groups population has grown far more extensively in some electorates than in others. There are thus anomalies in the quota system both as between "metropolitan" and "country" representation and as between the constituencies in each. Thus, in the metropolitan area, Boroondara has 76,261 electors, Melbourne 7,363 and East Melbourne 11,291; in the country Swan Hill has 23,851, Grenville 10,606. The scheme of 1903 was one in which there were 20 metropolitan constituencies, with a quota of 5,144, and 45 country constituencies with a quota of 3,833. The scheme of 1926 is one for 25 metropolitan seats and 40 country seats. The quota for metropolitan seats is still more than double that for country constituencies, an arrangement which offends against all notions of "one vote one value," but is defended on various grounds, the principal of which are the "natural protection" enjoyed by the seat of government, and the difficulties belonging to the effective representation of the interests of country constituencies covering vast areas. The complaint that "country interests" are sacrificed to those of the capitals is chronic in Australian politics; on the other hand, there are many matters of deep concern to Melbourne—metropolitan government and traffic congestion among them—which have undoubtedly fallen into neglect in the disturbed state of politics.

The aim which the Ministry set itself was not attained without trouble which humiliated the Government and discredited the Assembly. The lack of cohesion on the Ministerial side of the House was intensified by the personal apprehension of members. This was naturally exploited by the Opposition, which succeeded in blocking business and in inflicting defeats on the Government which in other circumstances would have led to resignation or dissolution. The final stage of re-distribution was carried only by the Speaker's vote. The Government ignored the

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incidents, but in doing so encouraged malcontents in the Assembly, and drew upon itself much derisive criticism. Even the measures necessary for balancing revenue and expenditure were treated as impossible in face of the attitude of the Legislative Council towards new taxation. The new constituencies have now the task of finding a Parliament wherein responsible government is something more than a name.

Australia. December 21, 1926.

SOUTH AFRICA

I. THE IMPERIAL CONFERENCE

A PART altogether from its effect on South African politics, which will be considered later, the report of the Committee of the Conference on inter-Imperial Relations seems to us here to mark out the Imperial Conference of 1926 as one of the turning points in the history of the British Empire. This is not because any new constitutional doctrine was evolved by it in regard to the relations of the Dominions to each other and to Great Britain. How these relations may be defined by the constitutional theorist, whether indeed they are capable of any such definition, are questions with which the Committee did not trouble itself. It set itself from the beginning to express in a written document what has for some years now been accepted as the actual position in practice of a Dominion vis à vis Great Britain and the other Dominions. There is therefore nothing new in the statement adopted by the Committee. The Dominions, it says, "*are autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations.*"* There is not a phrase of this which could not be found almost to satiety in the speeches and writings of public men in Britain and

* The italics are taken from the Report.

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the Dominions since 1919. But, though the words have been freely used, no statesman or Conference has attempted to envisage the implications which they contain or to formulate them as a definite basis of action in the future. This is what the Conference of 1926 set itself to do. Having stated the formula in the words quoted above it proceeds to apply it to certain matters in which existing law and practice have not been brought into accord with it. The title of His Majesty, the position of Governors-General, the operation of Dominion legislation, Merchant Shipping Law, Appeals to the Privy Council, the forms to be observed in international relations, the making of treaties, representation on international conferences, the issue of exequatur to foreign consuls—all these matters the Conference reviewed in the light of the now accepted status of the Dominions and made suggestions as to the practical steps to be taken to bring them into harmony with that status.

In not attempting to go beyond that, in refusing to be drawn into a general statement of the mutual obligations of the peoples "freely associated as members of the British Commonwealth of Nations" the Committee showed its practical wisdom. It somewhat naïvely observes that "a foreigner endeavouring to understand the true character of the British Empire by the aid of this formula alone would be tempted to think that it was devised rather to make mutual interference impossible than to make mutual co-operation easy." It may be doubted whether this temptation is confined to foreigners. Indeed, it is probably true to say that it is just because of the purely negative implications of the formula that statesmen have hitherto hesitated to give formal and public recognition to it and to lay it down as a principle to which Dominion relations, inside and outside the Commonwealth, are to be made to conform. It has therefore remained as a motto rather than as a principle of action. The old theory of subordination had been long abandoned. But the new principle of

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autonomy had never been formally applied because it seemed to negate the idea of a Commonwealth. The idea of a "free association," involving no mutual obligations on its members, leaving them completely free to do as they pleased, seemed a metaphysical rather than a political conception.

The importance of the Conference of 1926 is that it has taken a definite step forward out of the dilemma which had dominated previous Conferences. It has definitely adopted the way of autonomy for the Commonwealth and rejected the way of organic unity. Whether, and if so how, along this way the Commonwealth is to hold together in time of stress, or to exercise as such any influence on the affairs of the world, must be left to the future. That in any case is a matter which, as the Dominions are at present, no paper constitution can decide. It may be that along the way of autonomy this "free association" may evolve some bonds of unity other than that of common allegiance. It seems certain that along no other way is an advance possible.

On the political outlook in South Africa, the effect of the Conference has been little short of revolutionary. It may be remembered that the Nationalist party which is now in office took its origin when General Hertzog, the present Prime Minister, in 1912 left the Ministry which General Botha had formed at Union. His difference with his colleagues was his refusal to accept the status of South Africa as a member of the British Empire. The division thus begun was deepened and embittered by the outbreak of the European war and by the armed rebellion which broke out against the policy adopted by General Botha and General Smuts of active assistance to Britain and her allies. In 1920 an attempt was made at a joint conference to bring about a reconciliation between the South African party and the Nationalist party—the two parties between which the Dutch-speaking section of the people was at that time mainly divided. The attempt failed on the single

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point of the status of South Africa. The Nationalists would be satisfied with nothing less than complete independence and separation from the British Empire, while the South African party representatives stood by the policy of a gradual development of national status for South Africa based on her existing position within the Empire. On that issue the conference broke down, and, ever since, the question of secession has been a prominent election issue. In 1924, when the Nationalist party took office in combination with the Labour party, one of the articles of the pact was that no parliamentary action should be taken during the life of the newly elected Parliament to bring about secession from the Empire, but that condition was not to restrict propaganda in that direction outside Parliament. From this short summary it will be possible to appreciate the significance of the attitude now adopted by General Hertzog and the other chiefs of the Nationalist party towards the Dominion status as now defined in the pronouncement of the Imperial Conference. In his speech at Pretoria on his return from the Conference the Prime Minister said that

There is nothing to prevent the most ardent protagonist of national liberty from being at the same time a warm supporter of the Empire and of co-operation with the Empire as now accepted by the Imperial Conference. (He continued): I for myself do not hesitate for one moment, now the Union has on proper authority been openly acknowledged as an independent free State, to declare in answer to that question that our welfare and happiness as a people along no other course can be better maintained and fostered than within the bond of nations, with which we are now associated as a free people of our own free will, and that in no other manner our national freedom can enjoy greater authority and guarantee than within the British Empire on the basis on which it exists to-day.

He concluded with an appeal amounting almost to an invitation to political parties to eliminate racial differences as a line of division and to come together on a basis of common interests and convictions. So far as other leaders of the Nationalist party have spoken there has been no dissenting note, and the question has been freely

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discussed by them of amending the party programme so as to exclude anything which could be regarded as conveying the intention of secession.

The question at once arises as to what the effect of the new outlook will be on the present grouping of political parties. There is no doubt that the removal of the secession issue from the political arena and the adoption by the Nationalist party of a policy of genuine co-operation with the British Commonwealth will do much to eliminate the racial issue and to erase existing lines of division. Until the present Nationalist-Labour combination took office there was no material difference between the Nationalist and South African parties except on the question of national ideals. In spite of the association of the Nationalist party with Labour and its support of certain more or less advanced social policies there can be no doubt that the great mass of the party outside industrial centres is substantially conservative in temperament and outlook. On paper there is little or nothing between the South African and Nationalist parties. In practice there are two serious obstacles. One is the memory of bitter political strife, too recent to be summarily buried, in which the respective leaders have been too deeply involved to make immediate reunion possible. The other is the alliance between the Nationalists and the Labour party which Mr. Tielman Roos, the deputy leader of the party, says must be maintained in any event. These will make an immediate reunion of the Nationalist and South African parties impossible. But a whole-hearted acceptance by the Nationalist party of the attitude towards the British Commonwealth which is now proclaimed by its leaders will set in motion forces which will in time bring about a disintegration of the two main parties and a new orientation of our political advance. What is more important is that it will remove a source of division which for nearly half a century has perplexed and embittered South African politics.

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II. THE STATUS OF THE BANTU

SO far as anything may be taken as certain in this disconcerting country, we may take it then that the Imperial issue is now definitely settled. The declarations of General Hertzog and other Nationalist leaders are so explicit and emphatic and so cordially accepted on all sides that we may now believe that everything which was really meant in the "secession" policy has been attained. Soon the jubilation over status will give place to the cooler mood of meditation upon responsibilities. For if independence means that Great Britain will no longer "interfere," it means also that Great Britain will no longer assume South Africa's responsibilities except as one member among others of the group. Hence, for the first time in its history, the Union stands face to face with the issue that involves its very existence.

In this independent State—member of the British Commonwealth group—a State built on European lines on the African continent, what is to be the status of the three-fourths of the population who belong to the Bantu race? There is no real "solution" to the so-called Native Question, if by that term is intended a definitive settlement once and for all. Indeed, we do not know yet what the Native Question really is, for the potentialities of the Bantu are still largely untested. We are still in the experimental stages of our handling of the question, and while it is true that the Bantu people have made remarkable progress in recent years and are gaining solidarity and a common consciousness such as they have not known hitherto, it is also true that ignorance of their life and development is still very general among the white population that continues to control their destinies. The great need of the moment therefore is further study and experiment rather than systematic legislation. Above all it is

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necessary that the attitude towards native policy which characterises governing parties at the present time should undergo modification. On the one hand, there is the traditional Boer attitude which looks upon the native as a *schepsel* (creature), something not fully human but capable of labour, an attitude that, be it noted, is compatible with fair and kindly treatment and that enshrines notions of authority and subordination with which the native is perfectly familiar in his tribal life. Its defect is that it is not compatible with the new possibilities, economic and political, which are now opening out for the native under the influence of industrial development in South Africa itself, and that universal ferment of ideas in the world at large which has been the outstanding feature of the post-war years. It could hardly be expected that a people so virile and intelligent as the Bantu would remain untouched by this upheaval. It is vital that this latter factor should be taken into account by those who seek for a thread in South African life during recent years. The South Africa of to-day is not the South Africa of even ten years ago, and this is especially true of the state and aspirations of the Bantu people. On the other hand, there is the view of the white urban workers finding expression through the Labour party, which sees in the Bantu an unfair competitor who takes the bread from their children's mouths, and is prepared to save the situation by the rough and ready method of legislation and trade union action to confine the native to rigidly defined lower spheres of labour.

Perhaps the time has not yet come for a final choice between two ideals, the one of a South Africa where there is a single common citizenship that treats race and colour as entirely irrelevant and demands only a minimum standard of civilisation as that is understood in the West, and the other of a South Africa consisting essentially of two communities in one State, living in a close relationship of mutual service, but each with its own distinctive character and institutions. Neither ideal could be regarded to-day

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as practically attainable, and any policy which can be made effective is likely to contain elements of both. Two things can, however, be said now with some certainty. One is that the choice between the two ideals will not be made by the white man alone. The Bantu's own ideals and aims must exercise an ever-increasing influence. The other is that any attempt to secure by Colour Bar legislation or other means the permanent exclusion of the Bantu from any line of development towards civilisation for which he has the will and the capacity is bound to react harmfully on the white population itself. Further study and experiment, provided they do not take place in an atmosphere of apprehension and fear, will make that master fact more and more clear.

The Hertzog Scheme.

It has been necessary to set forth these preliminary considerations before discussing the scheme of native policy which has recently been put forward by General Hertzog for consideration in the present session of Parliament. The scheme is enshrined in four Bills:—

1. The Representation of Natives in Parliament Bill ;
2. The Union Native Council Bill ;
3. The Natives Land Act, 1913, Amendment Bill ;
4. The Coloured Persons Rights Bill.

The first of these proposes to abolish the existing native franchise altogether—it exists only in the Cape to any extent—and to substitute *seven* native constituencies for the whole Union, electing European representatives to the Assembly, who are to sit with limited powers of voting. For example, they may not vote on any matter which has been declared by Government to be a question of confidence. Further, the franchise for the election of these seven is limited to chiefs, headmen and native councils, and the method of nomination and election still further

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limits the effective franchise. The actual terms of the franchise ; who the actual electors are to be and how many there will be, are not stated in the Bill, but are to be determined by regulation for the making of which powers are given.

The second Bill proposes the creation of a Native Council of 35 elected members, ten each from the Cape, Transvaal and Natal, and five from the Orange Free State, and 15 nominated members, five from the Cape, four each from Natal and the Transvaal, and two from the Orange Free State. The franchise is to be determined by regulation, and the officer of the Native Affairs Department who presides has power to make rules for the conduct of business and the behaviour of members, and "shall have full discretion to adjourn or close any meeting of the Council." In framing rules he may provide for penalties up to £5.

The legislative powers of the Council are rigidly defined by Section 4 (3) :—

The Council shall, at the request and initiative of the Minister, have power to pass laws, to be called Ordinances, binding on natives only, in respect of such matters affecting natives in the Union, or any part thereof, as Parliament may, by law, specifically authorise.

This clause, taken in conjunction with powers given to control franchise by regulation, and the despotic authority of the President of the Council, sufficiently indicates the very restricted scope of the experiment.

The third Bill develops the provision made by the main Act of 1913 for the delimitation of native areas.* That Act divided the land of the Union into areas where only natives could hold land, and areas where only "Europeans" could hold land. The native areas were admittedly inadequate, and first a Commission (the Beaumont Commission) and then separate Provincial Committees were instructed to delimit further areas. No agreement was

* See THE ROUND TABLE, No. 12, September 1913, pp. 663-667; No. 28, September 1917, pp. 808-813; No. 34, March 1919, pp. 402-407.

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reached, however, and the preoccupations of the Great War would, in any case, have delayed further legislation. Meanwhile, the Native Affairs Department has, in practice, authorised the purchase of land by natives in areas demarcated by the committees, but these areas have never yet been allocated to natives exclusively. The present Bill proceeds on the principle represented by this practice and "releases" the committee areas for open competition for white and native alike. But rights of purchase in each area are restricted to specified tribes, and a schedule to the Bill lays down stringent conditions in regard to fencing. Provision is made for preventing "island" holdings, native entirely surrounded by white or white by native. The Bill also makes provision for the "release" of further areas as may be found expedient. A "Natives Land Purchase and Advances Fund" is to be established into which will be paid certain revenues arising under the proposed Act, and grants appropriated by Parliament. General Hertzog has promised that, so far as he is able to secure it, these grants shall be on a liberal scale.

Chapter II deals with squatters and labour tenants, that is, natives living in non-native areas, who are neither owners nor simple farm-servants. In some respects, particularly as regards the movement of natives and the drift to the towns, this is the most important part of the Bill. It is referred to again below.

The fourth Bill is to make provision for the ultimate incorporation of the "Cape Coloured" (half-caste and Malay) population into the enfranchised citizenship of the Union. At present they have the full vote only in the Cape. The ultimate effect of this Bill is to extend the right to all "coloured" men in the Union on the same basis as whites.

It is in this Bill that we have a definition of "native" which helps, by implication, to define "coloured man," and also serves to indicate who are excluded from the general franchise by the clause in the first Bill which provides

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for the amendment of those portions of the Act of Union that precluded the removal of voters' names from the register on grounds of race or colour. A "native" is now defined as:—

- (a) Any member of an aboriginal race or tribe of Africa, and ;
- (b) Any person whose mother or father is or was a member of such race or tribe.

To this last two provisos are attached, one allowing such a person to be regarded as "coloured" if he were born having one parent European or coloured before the commencement of the Act, and is deemed to be akin in standards and modes of life to the "coloured" people rather than to the natives ; and a second allowing such a person to be regarded as "coloured," though born *after* the commencement of the Act, if by a resolution of both Houses he is declared to be such.

Thus the pure-blooded native is quite definitely excluded from the general franchise.

Such is the general scheme. In view of the last of the four Bills it might be possible to argue that the scheme as a whole is not based on colour discrimination, for here you have coloured men admitted freely to the franchise if they satisfy the usual tests. And the scheme must be considered as a whole, for each of the four Bills contains a clause providing that it shall not be brought into operation except with the operation of the other three.

But whatever plea may be put forward that colour discrimination is not the foundation of the scheme, there can be no denying that it does at least rest upon discrimination of race, and that as against the Bantu. The policy appears to be discrimination pushed as far as it will go consistently with the demands of the European for land and labour. The real strength of the argument for it is derived from economic motives, though these are usually decently dressed up for public display in a specious garb of "let the native develop on his own lines." (The modern psychologist

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might find in this kind of plea a large-scale example of the process that is nowadays called "rationalisation.")

The main motives are :

1. The desire of the white worker, especially in towns, to exclude the native from competition in the field of skilled labour.

2. The desire of the farmer to secure an adequate supply of labour without surrendering any of the white man's hold on the land.

3. The checking of "squatting," that is, the deriving of revenue from lands owned but not cultivated by Europeans, and inhabited by rent-paying natives. Squatting has been generally looked upon as an evil, and it is to the interest of the farmer that the squatter should become a servant or a labour-tenant, or be evicted.

The mere statement of these motives is sufficient to demonstrate the strong interest which a Pact Government like the present one must have in pushing a policy of discrimination as far as the interests of the white worker and white farmer seem to require. Professions of a real desire for the welfare of the native must not, however, be regarded as insincere. They are certainly not so as they come from General Hertzog. The phenomenon is quite correctly described as "rationalisation"; the deeper motives at work are, in the main, economic—apprehensions for the future of the white worker and white farmer. The protective measures that these suggest assume quite easily the form of a benevolent conviction that the native should be given full opportunity to develop on his own lines. Illustrations may be cited from either side of the Pact. General Hertzog in the speech at Smithfield (November 1925) where he first outlined his scheme spoke of the growing sense among Europeans of the injustice of excluding the native from the franchise. He warned his Northern hearers that

If we (i.e., of the North) do not satisfy these men, they will eventually support those people who wish to extend the Cape system,

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and various churches will join the movement. If we can find another way of satisfying the consciences of this class and, at the same time, give proper protection to a white civilisation, we can rest assured that we shall enjoy the hearty co-operation both of this section of the community and of the churches.

This last sentence is worthy of very careful study. On another occasion, referring this time to the "Colour Bar" Bill, General Hertzog ventured the opinion that

The Colour Bar Bill might be regarded as a protection for the white man against the intrusion of a privileged class which does not suffer from the restrictions of a highly organised civilisation.

As for Labour, the provincial executive of the Transvaal Labour party hailed the Smithfield speech with high approval and called for the completest possible segregation. Cape Labour has shown a good deal of nervousness in the handling of colour issues, but it also is as strong as it dares to be for segregation of the Bantu. The party programme has all along given a prominent position to this policy.

And so we go on. The same measures which for one audience are "to protect white civilisation," are for another audience "to assist the native to develop on his own lines," and to protect him so that he may not "suffer from the restrictions of a highly organised civilisation." By one and the same stroke we are to protect white civilisation from the native and to protect the native from white civilisation.

So long as this radical contradiction remains at the heart of our thinking we shall continue to deceive and sophisticate ourselves, and the "solution" of the Native Question will make no real progress. Some precipitant is needed to bring about that clarity of vision and honesty with ourselves which must be secured if we are ever to emerge from the psychological morass in which we now flounder. The publication of General Hertzog's Bills has probably initiated the process. The further development of it towards the necessary clarity will be stimulated by

1. The growth of native opinion and its increasing articulateness and unity.

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2. The relentless pressure of economic facts, particularly as affecting the distribution of labour and the beneficial occupation of land by natives.

A discussion of these factors, slight as it will have to be, may well occupy the remainder of this article.

Native Opinion.

As a result of the Smuts Native Affairs Act of 1920, there does exist an authoritative instrument for the expression of native opinion. This is the Native National Conference, consisting, be it noted, of nominated members. Meeting in Pretoria in November, the Conference at once fastened on the abolition of the Cape native franchise and, as the Bills stand or fall together, refused to discuss any of them lest, by approving any part, it might be represented as having approved the whole, including the franchise proposals. With difficulty the Conference was persuaded to continue, having recorded its protest, and it then proceeded unanimously to reject the Representation Bill *in toto*. In regard to the Land Bill it was argued that the Government's failure to reserve the "committee" areas as determined under the 1913 Act, exclusively for native occupation, and its proposals to drive squatters off European-owned lands or reduce them to the status of servants, constituted an abandonment of segregation. (Note here how the inner contradiction in the Hertzog policy emphasised above at once reveals itself.) Accordingly, the following resolution was adopted :

This Conference, realising that the Government has abandoned segregation, recommends the repeal of the 1913 Land Act. Alternatively :

(a) The Government should adopt the Beaumont Commission areas in the Northern provinces as the minimum areas in which only natives could buy.

(b) The allocation according to tribes as was described in the Bill

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is strongly opposed, as such would retard progress and civilisation among the Bantu people.

(c) The restrictions on associations of natives to purchase land be removed.

(d) Land Boards, as suggested by the Beaumont Commission, should be established for the further adjustment of the land question.

(e) A Native Land Bank be established on the basis of the European Land Bank.

(f) Farms bought by natives and scheduled areas situated in European areas be added to the native areas.

The Native Councils Bill was approved in principle but with strong objection to the narrow range of its powers, its complete subordination to the Department of Native Affairs, and the presence of so many nominated members.

Native opinion is also becoming articulate in other and less official directions. The "I.C.U." (Industrial and Commercial Workers' Union) has grown to be a power under the leadership of its active secretary, Clements Kadalie. The nominal membership has been placed as high as 40,000, but this is doubtful. Moreover, the organisation appears to be loose, the subscriptions small and difficult to collect and the membership volatile. Nevertheless, there is an organisation in being with strong support both in South Africa and outside. Kadalie, it is understood, has already secured for it affiliation to the Amsterdam International and more recently he has had his name submitted to the Secretary for Labour as Workers' Delegate to the International Labour Conference at Geneva. It is hardly necessary to elaborate the possibilities which are opened up by such action. Not the least of them is that the South African Labour party may soon be put to the test, not only in South Africa but in Europe also, to discover whether it is more "white" than "labour." Thus again does the contradiction at the heart of things manifest itself, like the Platonic "lie in the soul."

But all this growing articulateness must be viewed in the light of one overmastering consideration, namely, that it is not possible to generalise safely about the native. The

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Bantu are becoming as diversified into groups and classes and interests as the Europeans themselves. Even in the reserves there are the poor and the well-to-do, and tribal custom has decayed more in some areas than in others. In the towns there are thousands of native workers permanently domiciled, in addition to many more thousands who come in for a period from the reserves. The well-to-do native is beginning to appear as a permanent town-resident. In the Witwatersrand area alone there are at least 10,000 natives earning well above the customary "native" wage, some of them doing very well indeed. Then there are nearly two millions of farm natives—servants, labour-tenants and squatters—very different from the ministers, lawyers, clerks, teachers and native police and interpreters that one finds in the towns. Conflicts of outlook and interest are developing; groups and parties are forming; and generally the process of variegation goes on apace. If the white man could get away from his apprehensions and prejudices and view the real facts clearly, he might see in the recognition and encouragement of this growing diversity one of the main safeguards of his own security. Conversely, he might see that the real "menace" of which he hears so much from his political leaders consists in a policy which lumps together all this heterogeneity as just "natives" and forces it into community of interest and solidarity of action by an indiscriminating discrimination. But that is just what a policy of protecting the *white* rather than protecting white *civilisation*—a very different thing—seems almost certain to do.

The Economic Factor.

A word must be said now about the second factor—the pressure of economic facts—mentioned above as likely to bring about a clearer view of the real issue.

The second part of the Land Bill—into the details of

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which we cannot now enter—contains provisions under which, in certain circumstances, any area may be “proclaimed.” In such an area it will be necessary for squatters and labour tenants to be licensed.* Fees for licences are high for the latter, drastic for the former, and the rate is increased for licences above a certain number on any one farm. Moreover, licences are valid for only a year, their issue is controlled by a specially appointed local board or divisional council, and it will be possible to use the system to force Bantu labour to distribute itself and to accept terms of service to suit the needs and interests of the farmer employers. The result of such a system must inevitably be a very considerable displacement of natives. There is no room for them in the already overcrowded reserves, even if that improvement in agricultural methods which some regard as a “solution” of the Native Question took place far more rapidly and extensively than it is likely to do. The bulk of those natives who are not reduced to the status of landless farm labourers can look only to the towns for support, and here they will come into competition with “periodic” natives from the reserves, as well as with the lower ranks of “coloured” labour. The result must be still further to depress the economic rate of wage for unskilled labour and to render still more difficult the general employment of white men through all the ranks of industry, lower as well as higher. White employment may be still further retarded by the loss of the market, real or potential, which a reasonably prosperous native working class might provide. That recourse would be had to regulations under the recent “Colour Bar” Act to keep the town

* A squatter is a native living on land which he does not own but which in many cases was the land of his forbears. He pays a rent in money or kind or labour, but his tenure is often very loosely defined. A labour tenant is one bound under the Masters and Servants Act to a minimum of 90 days service annually (this Bill proposes 180 days), and he can be proceeded against criminally for breach of contract. His form of tenure is, from the farmer's point of view, much more satisfactory than that of the squatter, and attempts have been made recently to bring the latter under the Masters and Servants Act.

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native permanently restricted to unskilled work is perhaps not probable. But that it is not impossible, so far as the backing of influential opinion is concerned, is shown by the burden of an address which was delivered on Dingaan's Day, December 16, by the Administrator of the Cape Province, a Nationalist nominee and, until his appointment, high in the counsels of the party. After painting a somewhat overdrawn picture of white unemployment and the increase of poor whites, he attributed the malaise to the industrial progress of the native. He then continued :

And the question is where is this going to end ? To-day, the native is employed as unskilled labour in our various industries. The question is whether, with further advancement, he will not in the near future receive preference in employment in the field of skilled labour ; and when that happens, what about the remainder of the European population which is still able to make a living in that sphere to-day ?

He then proceeded to develop a case for the " scientific " classification of spheres of labour as between European and Bantu, a process for which, presumably, regulations under the " Colour Bar " Act would be the appropriate instrument.

Economists in Europe may start with surprise at this naïve and almost impassioned enunciation of the crudest " work-fund " fallacy from so high a quarter, but the dangers of the situation are not understood unless it is realised that almost certainly a good majority of the electors of South Africa to-day would endorse that opinion. But the economic issue on the wage and labour side was fully discussed in the last issue of *THE ROUND TABLE*.^{*} Here we can only emphasise again the root of the trouble in muddled thinking, confused and clouded by imaginary fears and misconceived interests. The dissipation of the work-fund fallacy from the South African mind and the substitution for it of a sound understanding of the nature and sources of the national dividend ; these are indispensable preliminaries to any lasting " solution " of the Native

^{*} *THE ROUND TABLE*, No. 65, December 1926, pp. 184-201.

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Question on the wage and labour side. There is some reason to hope that clearer and less troubled ideas on the whole problem will emerge first in the sphere of industry, where common conditions of work and the common pressure of "capitalist" agencies will tend to demonstrate the irrelevancy of such diversities among workers as do not directly affect the doing of the work itself. The operation of an increasing sense of common economic interest, provided there is economic freedom for the native worker and a more generous handling of the great question of the land, may go far to realise the aspirations of the native quite apart from any extension of the franchise. The form in which General Hertzog's proposals have been set out, and the persistent habit of South African politicians of exaggerating the potentialities of formal legislation, have given to the franchise a fictitious prominence. To the natives as a whole it is, perhaps, rather a means than an end, and if the native could enjoy freedom of the more concrete and tangible kind, it is quite possible that the question of the franchise might wait indefinitely.

Some Conclusions.

The Hertzog proposals taken as a whole cannot, then, be regarded, either in the principles they embody or the concrete provision which they make, as at all adequate to the situation. The Land Bill carries territorial segregation very little farther, though the provision of an advances fund is an important step forward in principle. The absence of any scheme to absorb productively the natives who would be driven off the land by the operation of Chapter II of the Land Bill is a fatal defect in the whole scheme, and the prevalence of colour bar doctrines on the Government side does not afford much hope that such provision is likely to be made. Further, Chapter II seems to be too strongly influenced by the labour needs of the

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European farmer to be regarded as quite dispassionately just to the native. Possibly, as the four Bills are to be taken as a whole, these labour provisions may be the price with which is purchased the reluctant assent of the Northern farmer to a restricted native franchise throughout the Union.

But the Cape native franchise is to go completely. In return there is to be a limited franchise for the Union as a whole for the election of seven knee-haltered European representatives to the Assembly, and a Native Council operating in a jealously restricted sphere under the complete domination of the Native Affairs Department.

It is as unlikely that the natives at their present stage of self-consciousness will accept the proposals, as that any South African Government for years to come could put forward comprehensive proposals such as the natives would accept. One is forced to the conclusion that there is no hope of a settlement just yet, even though some elements of the Hertzog plan offer promise of an ultimate basis of agreement. It would be unjust in the extreme to blame General Hertzog for the inadequacy of his proposals. He has gone dangerously far, from his own party point of view, in the effort to induce his Northern supporters to accept any native representation in the Assembly at all. The bad features of the Land Bill and the abolition of the Cape franchise are perhaps to be regarded as concessions he has had to make. No better characterisation of the scheme can be found than that of the *Manchester Guardian* :—

The four Bills have a common characteristic : all alike, they give the impression of liberal intentions frustrated by the pressure of reactionary interests.

That is perfectly true, and the task before us now is not immediate legislation, but the clearing away of the rank growth of reactionary interests, so that the liberal intentions may come through and bear fruit. Critics in England

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give South African policy far too little credit for liberal intentions and are much too ready to suggest sinister motives where there is nothing worse than muddled thinking clouded by haunting fears. And it should be remembered that the dominant South African attitude towards the native is rooted in a psychology which dates back to Dingaan and Blood River and to many a smoking hecatomb beyond. Moreover, the impact of modern industrialism upon a South Africa, many parts of which still derive their political ideas from Old Testament notions, is certain to produce strange and startling aberrations, especially when these are mingled with a curious blend of Marxism and race prejudice such as one finds in the Labour wing of the Pact.

Nevertheless, to quote again the *Manchester Guardian*,

The relations of advanced to backward peoples is the greatest social problem of the present century, and the Government of South Africa, in legislating for the non-enfranchised majority of their fellow-countrymen, are in the position of trustees for Western civilisation and will have the eyes of Western civilisation upon them.

That truth is daily becoming better understood in South Africa, in spite of all the nervous jealousy of "interference" that has given rise to what is loosely called the secession policy. The result of the Imperial Conference, the success which has attended direct negotiation with India over the status of Indians, the increasing contact of South Africa and South Africans with the outer world, the example of other native policies in other parts of Africa, and perhaps the increasing influence of all that Geneva stands for; these and similar influences will certainly do much to modernise the whole South African outlook and free it from the suffocating fears and prejudices in which it is still entangled.

One or two essentials stand out clearly enough already. They may be indicated quite briefly:—

1. There must be a serious attempt to provide more

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land for native occupation. The existing situation where three-fourths of the population is free to own land in only about one-eighth of Union territory is generally admitted to be quite inequitable. The resolution of the Native Conference quoted above is of importance in this regard. Here the central question of finance must be faced. It matters less that a choice should be made between placing the natives in reserves and letting them compete freely for land in the open market, than that a serious effort should be made to provide means for financing some form of native land settlement.

2. The attempt to segregate according to tribes must be dropped. There is nothing in the whole scheme to which the emancipated native who wishes to lead his people into the fold of Western civilisation objects more strongly than to this.

3. For reasons of a very similar kind the native franchise in the Cape must remain intact in the hope, as General Smuts foreshadows, that ultimately we may arrive at a single franchise for the Union. To cut it away now would be to prejudge an issue for the just decision of which our data must be inadequate for a long time to come, and to encourage the native to neglect more real and solid opportunities in pursuit of a symbol which has all the seductiveness of forbidden fruit. It is not at all certain that the franchise is the ideal form in which to symbolise his hoped-for freedom. On the other hand, the experiment in the Cape is by no means unhopeful, and the native mind has progressed to such an extent in recent years that his own demand for the franchise may have to be faced whatever freedom is given in other directions.

4. At the same time, the policy of developing Native Councils, which is embodied in the Native Affairs Act of 1920, must be pushed forward with sincerity and reality.*

* See THE ROUND TABLE, No. 12, September 1913, pp. 658-663; No. 44, September 1921, pp. 945-949; and especially the article "The Colour Question in Politics," THE ROUND TABLE, No. 49, December 1922, p. 45.

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The Native Councils Bill in General Hertzog's scheme is conceived much too timorously and betrays far too little confidence in the growing capacity of the natives for self-government to provide an adequate instrument for the real political education of the Bantu. Some provision analogous to that of the seven representatives of natives, whom it is proposed under the scheme to have in the Assembly, might be made so as to secure adequate liaison between Parliament and the Native General Council. But unless the Council itself possesses real powers and good grounds for self-respect, it is not likely to draw to itself the best native ability, and may come to be regarded as a mere registration instrument for decisions taken elsewhere. General Hertzog's Bill is a step in the right direction, and the natives seem prepared to work a Council that possesses dignity and real authority. But if the step is to be taken at all it should be taken in a spirit of hopefulness and confidence and not

Like one that on a lonesome road
Doth walk in fear and dread.

Apart from concrete items of policy, the main need now is time for the permeation of the South African mind with a reassuring conviction that a policy leaving open to the native the means of securing the rewards of civilisation as soon as he can merit them, so far from being a policy of surrender, is the one policy of protection, while the "Colour Bar" form of protection is the one sure way to ultimate decivilisation. Intelligence to understand this is present and can operate once the entanglements have been cleared away by the pressure and friction of new forces, mainly economic. But so long as the work-fund fallacy is dominant and the progress of the native is regarded as a "menace" to the white man, we can only pray most sincerely that no legislation purporting to settle any part of the Native Question will get itself passed at all.

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The question will be "solved" when the spirit of Western civilisation and the spirit of British institutions are allowed to be true to themselves. That sounds easy to say, but it is a hard saying for those to whom thought on the question is thought on the future of their children and their children's children. Tremulous aberrations are not then entirely unaccountable. But great risks will have to be taken and much will have to be dared both in taking and in postponing action, which will seem foolhardy to men still under the domination of the old psychology. The best advice that can be given to South Africa in the test which is now thrust upon her can be expressed in four words: *Dare to be wise!*

South Africa. February 1927.

NEW ZEALAND

I. A PERIOD OF STOCKTAKING

THE concluding months of the year are always a time of stocktaking in New Zealand. Politically the end of the session leaves the Dominion and its legislators somewhat weary of controversy. The leading journals attempt generally to sum up and criticise the results of the legislative year, a few of the newer or more conscientious members give post-sessional addresses to their constituents, but for the most part everyone seems glad to forgive and forget. Ministers turn readily from the long hours of debate to tackle the administrative work that piles up during the session or to discharge their obligations in the matter of opening new post offices or bridges in remote country districts. The long vacation is very welcome to all the active participants in the game and the remainder of the people seem just as glad of it.

Economically this period falls between seasons. The great bulk of the export produce is "washed up," as traders say, before the end of June. The new season's exports, upon which so much of the prosperity of everybody depends, are not measurable till towards the end of the year. The intervening months therefore give time for reflection as to the past and speculation as to the future. The conversation of every farmer and of many others besides is concerned with such important matters as the statistical position of wool—a new and enticing but dangerous subject this—the price of lambs, the state of the crops, the machinations of Tooley Street, the iniquities of the Arbitration Court and the workers generally, and—a never failing background—of the weather. These and subjects like them are staple conversation wherever men congregate as they do congregate during these months at shows, race meetings and conferences.

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The Course of the Depression

This year's general stocktaking is of more than usual interest and importance because of the peculiar economic position in which the Dominion finds itself. The depression which was initiated by falling export prices in the season of 1925-26 has steadily constricted economic activities as the year has drawn to a close. Ever since the post-war boom burst in 1921 there has been this tendency to recurrent periods when lower export prices have caught the Dominion with large commitments which have had to be readjusted by the wholesome but disagreeable processes of economy and greater production. The most obvious of these commitments are those which give rise to the relative over-importation which is characteristic of depression in New Zealand; but the problem with which the Dominion is faced is in reality much wider and more difficult than the mere controlling of importation to correspond with the purchasing power made available by exports.

It is true that the balance of overseas payments is probably the most important of all economic factors in the prosperity of New Zealand. The whole banking system is, by the custom of long years rather than by deliberate policy, centred in London. The amount of credit available in New Zealand, obviously the most important governing factor in the economic activity of the Dominion, is regulated with reference to the London balances of the banks, so that the currency system might justly be described as a "credit-exchange standard" of precisely the same character and effects as the well-known Indian "gold-exchange standard," except that the London fund which acts as the reservoir of purchasing power is a credit fund instead of a gold fund. The size of this fund in London depends upon two main factors, the relative proportions of exports and imports, and the volume of overseas borrowing on the Dominion's behalf. Both of these influences are immedi-

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ately reflected in the trade returns as well as the banking returns of the Dominion. It is clear, therefore, that major movements in economic conditions are normally transmitted from overseas through the balance of overseas payments and are most readily observable and measurable by the trade statistics and the bank returns. The unusual importance which overseas trading assumes in a small country like New Zealand adds to the force of the facts stated above.

The course of depression this year is a good illustration of the way in which the economic conditions, particularly of Great Britain, are transmitted to New Zealand through the balance of overseas payments. An analysis of the extent and causes of the depression is made in the latest bulletin prepared by the Canterbury College Department of Economics for the Canterbury Chamber of Commerce. The significant figures of this bulletin show how the financial stringency initiated by falling export prices tightens in the latter months of the year as the heavy importations ordered when prices were at a higher level must be paid for at the same time as farmers draw heavily upon the banks in the months before their returns begin to come in. The depression is always at its worst in early spring, before the sales of wool and lambs and advances upon butter-fat begin to reduce farmers' overdrafts. The most important of the statistics used in the bulletin are reproduced below :

Year ended	EXTERNAL TRADE		Excess	
	(£ millions)			
	Exports	Imports	Exports	Imports
1925—				
March 31	.. 54·8	49·8	5·0	—
June 30	.. 57·4	50·9	6·5	—
Sept. 30	.. 55·7	50·6	5·1	—
Dec. 31	.. 55·3	52·5	2·8	—
1926—				
March 31	.. 48·7	53·0	—	4·3
June 30	.. 46·3	52·1	—	5·8
Sept. 30	.. 48·4	51·6	—	3·2
EE				417

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The bulletin goes on to point out three causes of the present stringency, each of which serves to emphasise the main argument advanced above. The first is the over-swing of the prices of wool and other main exports from the unduly high levels reached in preceding seasons; the second is the transmission of the fall in British prices due to the adoption of the gold standard; and the third is the reduced purchasing power consequent upon the industrial disturbances in Britain.

The note upon which the bulletin ends is, however, of more importance and interest than the mere tracing of the course of a passing depression. It is significant that economists and business men should join in pointing out that

it is unlikely that we shall see again in the near future the abnormal prices of 1925, for general market values are becoming more stable at lower levels; but though much remains to be done before all the readjustments necessitated by the post-war boom and slump are completed, and though our general level of prosperity is still kept up by the expenditure of borrowed money, the worst period of the present depression in business activity appears to be over, and it is possible now to look for the beginnings of a quiet recovery from the low level of last winter.

The dawning realisation of the truth contained in this quotation is the key to an understanding of the somewhat confused but widespread and earnest economic discussions that have been proceeding throughout the Dominion in these months of stocktaking. There are many signs that the industrial difficulties of the post-war situation in Great Britain, the long uphill climb towards economic stability in Europe generally, and the dragging tendency towards lower levels of prices are causing doubts as to the soundness and the continuance of the easy and somewhat extravagant prosperity to which New Zealand has been accustomed in the last generation.

These doubts are reflected not only in more or less academic discussions, but in significant economic disputes

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which recur with increasing frequency. Brief mention of some of the more outstanding problems which have engaged public attention within the last three months will indicate the truth of this contention. The common element in all these sectional disputes is the growing struggle between those who rely upon one or other of the various forms of protection or "sheltering" to maintain the prosperity of their industry or interest, and those, a growing and active minority, who become increasingly distrustful of protective methods involving governmental interference with economic conditions. As the economic background has changed from easy prosperity to more uncertain fluctuating conditions, punctuated by years, such as this last, of recurrent stringency and somewhat severe unemployment, doubts have arisen as to the efficacy of the elaborate system of State controls and interferences. It is no longer a species of high treason to doubt whether prosperity is wholly due to our legislative experiments. On the other hand, it is being asserted with more and more frequency and force that the experiments were parasitical upon our prosperity and may be intolerable in a time of adversity. Sectional interests committed to various forms of State interference are very strong, but there can be no doubt of the growing feeling that economic freedom has been sacrificed and may have to be regained if New Zealand is to retain her normal standards of comfort in face of a hard, competitive and, on the whole, poorer post-war world.

The Arbitration Court

Perhaps the best illustration of this disquietude of mind is to be found in the recurrent labour disputes and the increasing criticism of the Arbitration Court. It is significant that these disputes and criticisms occur first and most commonly in those industries which are connected most closely with the primary producers. The fact is that

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the first impact of lower prices falls naturally upon the primary producers. Each period of unemployment traces back to a constriction of the farmers' purchasing power. Yet it generally happens that the local cost of living, which has always been the main criterion by which the Arbitration Court has fixed wage rates, is still high and sometimes rising, when the prices of farm produce have fallen heavily. The organised workers go to the Court and claim the same or higher wages at a time when the farming community is hard pushed. This was first noticeable in the case of the shearers' dispute of 1921, when, after a sharp disagreement, the workers' assessor, who had held office since 1908, resigned as a protest against the Court's reduction of wages. In the present season, again, the opening of the freezing works in the North Island has been considerably delayed by a dispute which was handled, not by the freezing workers themselves, but by the militant Alliance of Labour on their behalf. Eventually the dispute was by agreement referred to the Court, but its occurrence is significant.

Moreover, there is increasing criticism of the hampering effect of the Court's awards in stereotyping productive methods and keeping the cost of production high. The limitation of apprentices, the demarcation of industrial occupations, insistence upon time wages and resistance to piece wages, and generally the maintenance of standards of living without reference to productivity have all been the subject of increasing comment and criticism in the newspaper press.

Farm Costs and Immigration

All of this criticism traces back to the farmers' difficulties in the face of high costs of production and lower prices of farm produce. A large gathering of farmers which met at Auckland on November 16, called to consider possibilities of land settlement by immigration, resolved itself largely

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into a chorus of pessimistic lamentation. An element of piquancy was lent to this gathering by a somewhat acrid controversy which has been proceeding during October and November on the subject of land settlement between the Minister of Lands and the *New Zealand Herald*, a leading Government journal. The Minister of Lands is not only a practical farmer himself with a strong appeal to the farming community, but is the chairman of the Political Reform League, which is the Government's party organisation. He is deeply impressed with the economic difficulties of the farming community at the present time, and resolutely opposed to large and costly schemes of immigration for the settlement of the undeveloped pumice and gum lands of the Auckland province. The angry discussion which has been proceeding between him and the *New Zealand Herald*, one of the acknowledged organs of his party, is in itself a sign of difficulty and confusion in our national councils.

Dairy Control .

The similar controversy that has been proceeding in the dairy industry over the operations of the Control Board may be cited as another proof of the conflict between the characteristic New Zealand faith in protection and control and the newly increased distrust of such governmental methods of retaining prosperity. In the last twenty years the balance of political power has passed from the South Island to the North Island, from the organised urban workers to the small farmers. The tendency to look to the Government for aid in an emergency has been inherited by the farmers, and hence their faith in the various control schemes. But the industry is divided in itself. There is no reasonable ground for doubt that the majority of small farmers, particularly those in the Auckland province, are staunch supporters of the control policy at present

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being exercised by the Dairy Control Board. It is no less sure that a substantial minority, which is especially strong in Taranaki, are determinedly opposed to the Board and distrustful of its policy. This division extends into the Board itself and even to its London representatives. Recent disclosures have revealed a conflict of opinion both in London and in Wellington. The Prime Minister was moved by representations made to him by London merchants to intervene by cabling on October 27 a strong message to the Board advocating a modification of their policy of absolute control in order to allay the hostility created by the fixation of prices and the control of supplies to the London market. There has been much controversy as to how far the Board is attempting to fix prices, and the Board's assertion that it accepts the market price and merely controls the supplies going on to the market does not convince those who reflect on the intimate connection between supply and price. But the most serious feature of the whole situation is the possible effect which the innovation, aggravated as it is by domestic controversy, may have upon the demand for our produce. New Zealand is not the only possible source of dairy produce for the London market, and the resources of Tooley Street seem to many people quite adequate for the fostering, if need be, of alternative sources of supply.

Tariff Revision

A further incident in the conflict between regulation and economic freedom to face a new situation is the gradually developing fight over the tariff revision which is promised for next year. Numerically and financially the local manufacturers' associations are not strong; but they are incessant in their propaganda, and they have in their favour the vague nationalist sentiment which is always invoked in such a controversy. On the other hand, the forces arrayed

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against them, reinforced by the new individualism, are very strong in New Zealand, and during the past few months these forces have shown signs of carrying the war into the enemy country. It is natural to find the academic economists distrustful of tariff protection, but their pronouncements are strongly reinforced by several of the leading journals of the Dominion, and especially by the *Christchurch Press*, which has carried on a strong propaganda in recent months against the claims of the industrialists. The farmers' organisations are generally solid against further tariff increases, and well-established conservative journals are always aware of this fact. Rather more unexpected and weighty pronouncements have come recently from the Dominion President of the Employers' Federation, the Hon. T. Shailer Weston, M.L.C., who in an address at Wellington on October 21 issued a strong warning against the dangers of high protection as a general policy, and from the conference of the Associated Chambers of Commerce at Wellington on November 24, which was virtually unanimous in its demand for lower rather than higher duties. In the face of these protests even those bodies and journals which are committed to the protectionist position have been somewhat mild in their statements. They almost appear to have accepted the advice of the acting Prime Minister to the conference of Industrial Associations to "roar gently," so as not to unite the opposing forces. The *Otago Daily Times* of October 19 quotes Mr. Downie Stewart as saying that "if they went forward with banners flying they might not achieve the result they hoped for, and they would find those opposed to them marshalled and mobilised." There is a noticeable tendency at present also to stress the common interests of the primary and secondary industries, which, as the annual report of the Canterbury Industrial Association points out, are in the same boat, though they are not at present "rowing with the same skulls."

In the meantime the Minister of Customs has announced

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the personnel of the Tariff Commission which is to collect and prepare evidence for next year's revision. This is purely a departmental commission drawn from the Customs Department with the addition of the Secretary of the Department of Industries and Commerce, and its appointment may be taken as evidence of the Government's desire to placate what industries it can without rousing a storm of controversy concerning the general question of tariff protection. It must be said, however, that the House, which in this case is probably representative of the generality of ill-informed electors, appeared to be strongly protectionist. Debates towards the end of the session upon the timber importations disclosed members of all parties vying with each other to urge a reluctant Minister to place prohibitive duties upon the imported American timbers.

The Influence of Farm Prices

In the background of all these controversies lies the uneasy feeling, often unacknowledged or unrecognised, that the present organisation of New Zealand's economic life is not as stable as it might be. The present difficulty of the farmers, faced with lower prices for wool, meat, butter and cheese, while their interest, labour and material costs remain high, is the fundamental cause of all the disquiet. Optimists profess to believe that this is a passing phase which will right itself when prices recover, as they probably will do shortly with the normal swing of the cycle of good and bad trade. There are some grounds for this optimism in the fact that the present signs are for quiet recovery and price improvement. It is true also that on the whole New Zealand is favourably situated as a producer of commodities of which the world supply in normal times is rather scanty. At the moment prices of pastoral produce are depressed below the general level; but economic recovery in Europe might well take them quickly back

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again to a parity with the general level or even above it. There is good reason at the same time to hope that even if the prices of manufactured goods should fall further from the present levels the prices of New Zealand's raw materials and foodstuffs might not suffer in the same degree.

Against these reasons for optimism must be put the growing realisation that even though our position may be favourable relatively to other countries it does not follow that it will be favourable relatively to our prosperity in the past. Many scales of expenditure have necessarily been carried over from the boom period, and there is a general tendency to extravagance and high living, which will probably have to be scaled down unless measures are taken to increase production and free our life from some of the accumulated hindrances of regulation and interference.

The London Money Market and Dominion Loans

If no other reason existed for the kind of stocktaking which has been sketched above, it would be found in the growing volume of criticism directed by the London Money Market against colonial loans. We are becoming aware of a strong section of opinion at home which begins to question the generosity that places Dominion loans on a better footing than those of municipalities or industrial enterprises in Britain itself. A very slight alteration in the laws of England, extending the list of trustee securities to include such loans along with Dominion loans as eligible for trustee investment, might considerably affect the ease with which we get our regular annual assistance from the London Money Market. It is not difficult to see that the undiplomatic references of some leading Dominion statesmen to the lack of tariff preference in the markets of Britain and their ungenerous tendency to ignore the real and substantial preferences which accrue from these borrowing facilities, have considerably sharpened the references

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to this aspect of the question. When economists of the calibre of Mr. J. M. Keynes and Mr. W. T. Layton enjoy the hospitality of the columns of such papers as the *Observer* in a discussion of these matters it is time for the Dominions to take notice of the drift of opinion.

Apart from this particular aspect of the matter the Dominions cannot but be aware that representative financial writers in the leading London journals, while not supporting the wholehearted attacks made by some individuals in the City upon colonial borrowings, have been moderate in their castigation of those individuals and have used the occasion to point out that borrowing, especially for ill-defined purposes, may well be overdone. The Money Market is a delicate organisation, and the credit of the Dominions is not enhanced by such controversy. The prospect of less easy borrowing, involving the necessity of living more closely within our income, is not least among the factors which give pause to those who consider the economic position at the present time.

II. THE IMPERIAL CONFERENCE

THE idea of stocktaking may perhaps be transferred from a local to an Imperial setting as we turn to consider the results of the Imperial Conference as far as they may be judged from New Zealand. Fuller consideration of the issues raised by the Conference will be attempted in the next letter from New Zealand. There was a noticeable local interest in the proceedings of the Conference. Cabled reports, mostly vague guesswork, were displayed prominently by all the newspapers, and the editorial columns of practically every paper in the last two or three months have devoted more space to further guesses about this news than they have devoted to any other subject. This interest, which is presumably a reflection of popular estimation, is in striking contrast

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with the rather cavalier treatment which Imperial and international questions usually receive in a Parliament devoted largely to parish politics. In the last session, it is true, the Prime Minister made a statement of New Zealand's attitude to Imperial affairs; but the general tendency is to regard these as the concern of the Cabinet, administrative rather than legislative.

The press of the Dominion, on the other hand, printed and gave prominence to Imperial matters not only by means of news items and editorial comment, but in many cases also by special articles such as that contributed by Sir Frederick Lugard to the *Otago Daily Times* on October 16.

It is a little unfortunate in view of this genuine and widespread interest that the news which was sent to New Zealand concerning the doings of the Conference was not more informative. The New Zealand people at any rate are interested enough and well enough informed to want more than the rather elementary catchwords and trite conclusions which were released. It is probably inevitable that the Prime Ministers in their endeavour to make personal contacts and to discuss real problems in a real way must work informally and as far as possible without undue publicity; but there is a real demand for more information than is at present vouchsafed to us.

The newspapers and private individuals have done their best in the somewhat difficult circumstances to follow the trend of the Conference and especially to understand the formal statement which purports to define the new status of the Dominions. The feeling on the whole appears from a scrutiny of the leading journals to be diffident and sceptical concerning this attempt, as the *Auckland Star* (November 22) puts it, "to define the indefinable." The feeling in New Zealand is remarkably united in its distrust of experimental machinery which may disturb existing Imperial relationships. The interest with which the statement of these Imperial relationships

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has been greeted in other countries, even in Great Britain, is regarded as evidence not so much of the revolutionary nature of the document as of the failure in the past to recognise what in the Dominions has long been taken for granted. New Zealand on the whole feels like a modern youth, who has just been presented on his twenty-first birthday with a latchkey, mildly amused with the visible symbol of a freedom which he has long enjoyed in actual fact. No one seems to have been able to find from the cabled summaries of the document anything which would lead to the belief that Dominion status had undergone any radical change. Moreover, opinion in New Zealand is very strong that in evading the questions of naval and foreign policy and especially of sharing the burden of naval armament more equitably, the Conference has failed to improve the most unsatisfactory aspects of Imperial relationships.

There is at the same time complete confidence that the strong Imperial sentiment of the Dominion which Mr. Coates fully shares has been faithfully represented by him, and that with Sir Francis Bell's skilled assistance he has done the best that the circumstances allowed.

The comments of certain French writers, not to mention the effusions from Moscow, which profess to see in the new status the beginnings of self-determination which shall break up the Empire, evoke in the Dominion only mild amusement and incredulity. The failure of even well-informed foreigners to apprehend the inwardness of the tie that binds the constituent parts of the Commonwealth together is only equalled by the amazement of the Dominions that there should be people who could so fail to understand what is to the average man so obvious as to be taken for granted. This perhaps is the justification of the document, since after all the Commonwealth is unique in history. The anomalous position of the British members of the League of Nations and especially their relative disadvantage as compared with, say, the South

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American members, has caused more than a little comment lately, and it is clear that the fear at Geneva of British dominance is due largely to the failure to enter into a true understanding of the nature of the British Commonwealth. It is perhaps time that some definition was attempted.

But on the whole New Zealand is fearful of rigid and precise definition as likely to disturb the understanding that at present exists. It is recognised that the development of the British Imperial constitution is continuous and subtle, but the Prime Minister was speaking as a typical New Zealander when he said "the less committed to paper the better."

The rapid changes that are taking place in the Pacific and especially in the Far East are, however, sufficient in themselves to indicate the necessity for elastic and adequate means of consultation upon matters of Imperial concern. It is becoming very noticeable that the editorial discussions of foreign policy, which in the daily papers occupy pride of place among the subjects discussed, include more and more frequently well-informed articles upon China and Pacific policy generally. While the interests of New Zealand in the Far East are not very direct, there can be no doubt that the Dominion's leaders are becoming aware of the magnitude and importance of the changes that are now convulsing the ancient empires of the North Pacific. It would perhaps be an exaggeration to suggest that the centre of interest in foreign politics is shifting from Europe to the Pacific, but it is at any rate clear that the Pacific problems are increasing rapidly in importance both from an international and from an Imperial point of view. As this tendency develops the wisdom of improving the facilities for inter-Imperial consultation will be manifest.

New Zealand.

January 4, 1927.

IMPERIAL CONFERENCE : REPORT OF INTER-IMPERIAL RELATIONS COMMITTEE

I. INTRODUCTION

WE were appointed at the meeting of the Imperial Conference on October 25, 1926, to investigate all the questions on the Agenda affecting Inter-Imperial Relations. Our discussions on these questions have been long and intricate. We found, on examination, that they involved consideration of fundamental principles affecting the relations of the various parts of the British Empire *inter se*, as well as the relations of each part to foreign countries. For such examination the time at our disposal has been all too short. Yet we hope that we may have laid a foundation on which subsequent Conferences may build.

II. STATUS OF GREAT BRITAIN AND THE DOMINIONS

The Committee are of opinion that nothing would be gained by attempting to lay down a Constitution for the British Empire. Its widely scattered parts have very different characteristics, very different histories, and are at very different stages of evolution ; while, considered as a whole, it defies classification and bears no real resemblance to any other political organisation which now exists or has ever yet been tried.

There is, however, one most important element in it which, from a strictly constitutional point of view, has now, as regards all vital matters, reached its full development—we refer to the group of self-governing communities composed of Great Britain and the Dominions. Their position and mutual relation may be readily defined. *They are autonomous Communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown, and freely associated as members of the British Commonwealth of Nations.*

A foreigner endeavouring to understand the true character of the British Empire by the aid of this formula alone would be tempted to think that it was devised rather to make mutual interference impossible than to make mutual co-operation easy.

Such a criticism, however, completely ignores the historic situation. The rapid evolution of the Oversea Dominions during the last fifty years

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has involved many complicated adjustments of old political machinery to changing conditions. The tendency towards equality of status was both right and inevitable. Geographical and other conditions made this impossible of attainment by the way of federation. The only alternative was by the way of autonomy; and along this road it has been steadily sought. Every self-governing member of the Empire is now the master of its destiny. In fact, if not always in form, it is subject to no compulsion whatever.

But no account, however accurate, of the negative relations in which Great Britain and the Dominions stand to each other can do more than express a portion of the truth. The British Empire is not founded upon negations. It depends essentially, if not formally, on positive ideals. Free institutions are its life-blood. Free co-operation is its instrument. Peace, security, and progress are among its objects. Aspects of all these great themes have been discussed at the present Conference; excellent results have been thereby obtained. And, though every Dominion is now, and must always remain, the sole judge of the nature and extent of its co-operation, no common cause will, in our opinion, be thereby imperilled.

Equality of status, so far as Britain and the Dominions are concerned, is thus the root principle governing our Inter-Imperial Relations. But the principles of equality and similarity, appropriate to *status*, do not universally extend to function. Here we require something more than immutable dogmas. For example, to deal with questions of diplomacy and questions of defence, we require also flexible machinery—machinery which can, from time to time, be adapted to the changing circumstances of the world. This subject also has occupied our attention. The rest of this Report will show how we have endeavoured not only to state political theory, but to apply it to our common needs.

III. SPECIAL POSITION OF INDIA

It will be noted that in the previous paragraphs we have made no mention of India. Our reason for limiting their scope to Great Britain and the Dominions is that the position of India in the Empire is already defined by the Government of India Act, 1919. We would, nevertheless, recall that by Resolution IX of the Imperial War Conference, 1917, due recognition was given to the important position held by India in the British Commonwealth. Where, in this Report, we have had occasion to consider the position of India, we have made particular reference to it.

IV. RELATIONS BETWEEN THE VARIOUS PARTS OF THE BRITISH EMPIRE

Existing administrative, legislative, and judicial forms are admittedly not wholly in accord with the position as described in Section II of this Report. This is inevitable, since most of these forms date back to a time well antecedent to the present stage of constitutional development. Our first task, then, was to examine these forms with special reference to any cases where the want of adaptation of practice to principle caused, or might be thought to cause, inconvenience in the conduct of Inter-Imperial Relations.

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(a) *The Title of His Majesty the King*

The title of His Majesty the King is of special importance and concern to all parts of His Majesty's Dominions. Twice within the last fifty years has the Royal Title been altered to suit changed conditions and constitutional developments.

The present title, which is that proclaimed under the Royal Titles Act of 1901, is as follows :—

"George V, by the Grace of God, of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas King, Defender of the Faith, Emperor of India."

Some time before the Conference met, it had been recognised that this form of title hardly accorded with the altered state of affairs arising from the establishment of the Irish Free State as a Dominion. It had further been ascertained that it would be in accordance with His Majesty's wishes that any recommendation for change should be submitted to him as the result of discussion at the Conference.

We are unanimously of opinion that a slight change is desirable, and we recommend that, subject to His Majesty's approval, the necessary legislative action should be taken to secure that His Majesty's title should henceforward read :—

"George V, by the Grace of God, of Great Britain, Ireland and the British Dominions beyond the Seas King, Defender of the Faith, Emperor of India."

(b) *Position of Governors-General*

We proceeded to consider whether it was desirable formally to place on record a definition of the position held by the Governor-General* as His Majesty's representative in the Dominions. That position, though now generally well recognised, undoubtedly represents a development from an earlier stage when the Governor-General was appointed solely on the advice of His Majesty's Ministers in London and acted also as their representative.

In our opinion it is an essential consequence of the equality of status existing among the members of the British Commonwealth of Nations that the Governor-General of a Dominion is the representative of the Crown, holding in all essential respects the same position in relation to the administration of public affairs in the Dominion as is held by His Majesty the King in Great Britain, and that he is not the representative or agent of His Majesty's Government in Great Britain or of any Department of that Government.

It seemed to us to follow that the practice whereby the Governor-General of a Dominion is the formal official channel of communication between His Majesty's Government in Great Britain and His Governments in the Dominions might be regarded as no longer wholly in accordance with the constitutional position of the Governor-General. It was thought that the recognised official channel of communication should be, in future, between Government and Government direct. The representatives of Great Britain readily recognised that the existing procedure might be open to criticism, and accepted the proposed change in principle in relation to any of the

* The Governor of Newfoundland is in the same position as the Governor-General of a Dominion.

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Dominions which desired it. Details were left for settlement as soon as possible after the Conference had completed its work, but it was recognised by the Committee, as an essential feature of any change or development in the channels of communication, that a Governor-General should be supplied with copies of all documents of importance and in general should be kept as fully informed as is His Majesty the King in Great Britain of Cabinet business and public affairs.

(c) Operation of Dominion Legislation

Our attention was also called to various points in connection with the operation of Dominion legislation, which, it was suggested, required clarification.

The particular points involved were :—

- (a) The present practice under which Acts of the Dominion Parliaments are sent each year to London, and it is intimated, through the Secretary of State for Dominion Affairs, that "His Majesty will not be advised to exercise his powers of disallowance" with regard to them.
- (b) The reservation of Dominion legislation, in certain circumstances, for the signification of His Majesty's pleasure which is signified on advice tendered by His Majesty's Government in Great Britain.
- (c) The difference between the legislative competence of the Parliament at Westminster and of the Dominion Parliaments in that Acts passed by the latter operate, as a general rule, only within the territorial area of the Dominion concerned.
- (d) The operation of legislation passed by the Parliament at Westminster in relation to the Dominions. In this connection special attention was called to such Statutes as the Colonial Laws Validity Act. It was suggested that in future uniformity of legislation as between Great Britain and the Dominions could best be secured by the enactment of reciprocal Statutes based upon consultation and agreement.

We gave these matters the best consideration possible in the limited time at our disposal, but came to the conclusion that the issues involved were so complex that there would be grave danger in attempting any immediate pronouncement other than a statement of certain principles which, in our opinion, underlie the whole question of the operation of Dominion legislation. We felt that, for the rest, it would be necessary to obtain expert guidance as a preliminary to further consideration by His Majesty's Governments in Great Britain and the Dominions.

On the questions raised with regard to disallowance and reservation of Dominion legislation, it was explained by the Irish Free State representatives that they desired to elucidate the constitutional practice in relation to Canada, since it is provided by Article 2 of the Articles of Agreement for a Treaty of 1921 that "the position of the Irish Free State in relation to the Imperial Parliament and Government and otherwise shall be that of the Dominion of Canada."

On this point we propose that it should be placed on record that, apart from provisions embodied in constitutions or in specific statutes expressly

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providing for reservation, it is recognised that it is the right of the Government of each Dominion to advise the Crown in all matters relating to its own affairs. Consequently, it would not be in accordance with constitutional practice for advice to be tendered to His Majesty by His Majesty's Government in Great Britain in any matter appertaining to the affairs of a Dominion against the views of the Government of that Dominion.

The appropriate procedure with regard to projected legislation in one of the self-governing parts of the Empire which may affect the interests of other self-governing parts is previous consultation between His Majesty's Ministers in the several parts concerned.

On the question raised with regard to the legislative competence of members of the British Commonwealth of Nations other than Great Britain, and in particular to the desirability of those members being enabled to legislate with extra-territorial effect, we think that it should similarly be placed on record that the constitutional practice is that legislation by the Parliament at Westminster applying to a Dominion would only be passed with the consent of the Dominion concerned.

As already indicated, however, we are of opinion that there are points arising out of these considerations, and in the application of these general principles, which will require detailed examination, and we accordingly recommend that steps should be taken by Great Britain and the Dominions to set up a Committee with terms of reference on the following lines :—

“ To enquire into, report upon, and make recommendations concerning—

- (i.) Existing statutory provisions requiring reservation of Dominion legislation for the assent of His Majesty or authorising the disallowance of such legislation.
- (ii.)—(a) The present position as to the competence of Dominion Parliaments to give their legislation extra-territorial operation.
(b) The practicability and most convenient method of giving effect to the principle that each Dominion Parliament should have power to give extra-territorial operation to its legislation in all cases where such operation is ancillary to provision for the peace, order, and good government of the Dominion.
- (iii.) The principles embodied in or underlying the Colonial Laws Validity Act, 1865, and the extent to which any provisions of that Act ought to be repealed, amended, or modified in the light of the existing relations between the various members of the British Commonwealth of Nations as described in this Report.”

(d) *Merchant Shipping Legislation*

Somewhat similar considerations to those set out above governed our attitude towards a similar, though a special, question raised in relation to Merchant Shipping Legislation. On this subject it was pointed out that, while uniformity of administrative practice was desirable, and indeed essential, as regards the Merchant Shipping Legislation of the various parts of the Empire, it was difficult to reconcile the application, in their present form, of certain provisions of the principal Statute relating to Merchant Shipping—viz., the Merchant Shipping Act of 1894, more particularly

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Clauses 735 and 736—with the constitutional status of the several members of the British Commonwealth of Nations.

In this case also we felt that, although, in the evolution of the British Empire, certain inequalities had been allowed to remain as regards various questions of maritime affairs, it was essential in dealing with these inequalities to consider the practical aspects of the matter. The difficulties in the way of introducing any immediate alterations in the Merchant Shipping Code (which dealt, amongst other matters, with the registration of British ships all over the world) were fully appreciated and it was felt to be necessary, in any review of the position, to take into account such matters of general concern as the qualifications for registry as a British ship, the status of British ships in war, the work done by His Majesty's Consuls in the interest of British shipping and seamen, and the question of Naval Courts at foreign ports to deal with crimes and offences on British ships abroad.

We came finally to the conclusion that, following a precedent which had been found useful on previous occasions, the general question of Merchant Shipping Legislation had best be remitted to a special Sub-Conference, which could meet most appropriately at the same time as the Expert Committee, to which reference is made above. We thought that this special Sub-Conference should be invited to advise on the following general lines :—

“ To consider and report on the principles which should govern, in the general interest, the practice and legislation relating to merchant shipping in the various parts of the Empire, having regard to the change in constitutional status and general relations which has occurred since existing laws were enacted.”

We took note that the representatives of India particularly desired that India, in view of the importance of her shipping interests, should be given an opportunity of being represented at the proposed Sub-Conference. We felt that the full representation of India on an equal footing with Great Britain and the Dominions would not only be welcomed, but could very properly be given, due regard being had to the special constitutional position of India as explained in Section III of this Report.

(e) Appeals to the Judicial Committee of the Privy Council

Another matter which we discussed, in which a general constitutional principle was raised, concerned the conditions governing appeals from judgments in the Dominions to the Judicial Committee of the Privy Council. From these discussions it became clear that it was no part of the policy of His Majesty's Government in Great Britain that questions affecting judicial appeals should be determined otherwise than in accordance with the wishes of the part of the Empire primarily affected. It was, however, generally recognised that, where changes in the existing system were proposed which, while primarily affecting one part, raised issues in which other parts were also concerned, such changes ought only to be carried out after consultation and discussion.

So far as the work of the Committee was concerned, this general understanding expressed all that was required. The question of some immediate change in the present conditions governing appeals from the Irish Free

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State was not pressed in relation to the present Conference, though it was made clear that the right was reserved to bring up the matter again at the next Imperial Conference for discussion in relation to the facts of this particular case.

V.—RELATIONS WITH FOREIGN COUNTRIES

From questions specially concerning the relations of the various parts of the British Empire with one another, we naturally turned to those affecting their relations with foreign countries. In the latter sphere, a beginning had been made towards making clear those relations by the Resolution of the Imperial Conference of 1923 on the subject of the negotiation, signature, and ratification of treaties.* But it seemed desirable to examine the working of that Resolution during the past three years and also to consider whether the principles laid down with regard to Treaties could not be applied with advantage in a wider sphere.

(a) *Procedure in Relation to Treaties*

We appointed a special Sub-Committee under the chairmanship of the Minister of Justice of Canada (the Honourable E. Lapointe, K.C.) to consider the question of treaty procedure.

* This Resolution was as follows:—

"The Conference recommends for the acceptance of the Governments of the Empire represented that the following procedure should be observed in the negotiation, signature, and ratification of international agreements.

The word 'treaty' is used in the sense of an agreement which, in accordance with the normal practice of diplomacy, would take the form of a treaty between Heads of States, signed by plenipotentiaries provided with Full Powers issued by the Heads of the States, and authorising the holders to conclude a treaty."

"1. *Negotiation.*

I

"(a) It is desirable that no treaty should be negotiated by any of the Governments of the Empire without due consideration of its possible effect on other parts of the Empire, or, if circumstances so demand, on the Empire as a whole.

"(b) Before negotiations are opened with the intention of concluding a treaty, steps should be taken to ensure that any of the other Governments of the Empire likely to be interested are informed, so that, if any such Government considers that its interests would be affected, it may have an opportunity of expressing its views, or, when its interests are intimately involved, of participating in the negotiations.

"(c) In all cases where more than one of the Governments of the Empire participates in the negotiations, there should be the fullest possible exchange of views between those Governments before and during the negotiations. In the case of treaties negotiated at International Conferences, where there is a British Empire Delegation, on which in accordance with the now established practice, the Dominions and India are separately represented, such representation should also be utilised to attain this object.

"(d) Steps should be taken to ensure that those Governments of the Empire whose representatives are not participating in the negotiations should, during their progress, be kept informed in regard to any points arising in which they may be interested.

"2. *Signature.*

"(a) Bilateral treaties imposing obligations on one part of the Empire only should be signed by a representative of the Government of that part. The Full Power issued to such representative should indicate the part of the Empire in respect of which the obligations are to be undertaken, and the preamble and text of the treaty should be so worded as to make its scope clear.

"(b) Where a bilateral treaty imposes obligations on more than one part of the Empire,

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The Sub-Committee, on whose report the following paragraphs are based, found that the Resolution of the Conference of 1923 embodied on most points useful rules for the guidance of the Governments. As they became more thoroughly understood and established, they would prove effective in practice.

Some phases of treaty procedure were examined, however, in greater detail in the light of experience in order to consider to what extent the Resolution of 1923 might with advantage be supplemented.

Negotiation.

It was agreed in 1923 that any of the Governments of the Empire contemplating the negotiation of a treaty should give due consideration to its possible effect upon other Governments and should take steps to inform Governments likely to be interested of its intention.

This rule should be understood as applying to any negotiations which any Government intends to conduct, so as to leave it to the other Governments to say whether they are likely to be interested.

When a Government has received information of the intention of any other Government to conduct negotiations, it is incumbent upon it to indicate its attitude with reasonable promptitude. So long as the initiating Government receives no adverse comments, and so long as its policy involves no active obligations on the part of the other Governments, it may proceed

the treaty should be signed by one or more plenipotentiaries on behalf of all the Governments concerned.

"(c) As regards treaties negotiated at International Conferences, the existing practice of signature by plenipotentiaries on behalf of all the Governments of the Empire represented at the Conference should be continued, and the Full Powers should be in the form employed at Paris and Washington.

3. Ratification.

"The existing practice in connection with the ratification of treaties should be maintained.

II

"Apart from treaties made between Heads of States, it is not unusual for agreements to be made between Governments. Such agreements, which are usually of a technical or administrative character, are made in the names of the signatory Governments, and signed by representatives of those Governments, who do not act under Full Powers issued by the Heads of the States: that they are not ratified by the Heads of the States, though in some cases some form of acceptance or confirmation by the Governments concerned is employed. As regards agreements of this nature the existing practice should be continued, but before entering on negotiations the Governments of the Empire should consider whether the interests of any other part of the Empire may be affected: and, if so, steps should be taken to ensure that the Government of such part is informed of the proposed negotiations, in order that it may have an opportunity of expressing its views."

The Resolution was submitted to the full Conference and unanimously approved. It was thought, however, that it would be of assistance to add a short explanatory statement in connection with Part I (3), setting out the existing procedure in relation to the ratification of treaties. This procedure is as follows:—

- (a) The ratification of treaties imposing obligations on one part of the Empire is effected at the instance of the Government of that part:
- (b) The ratification of treaties imposing obligations on more than one part of the Empire is effected after consultation between the Governments of those parts of the Empire concerned. It is for each Government to decide whether Parliamentary approval or legislation is required before desire for, or concurrence in, ratification is intimated by that Government.

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on the assumption that its policy is generally acceptable. It must, however, before taking any steps which might involve the other Governments in any active obligations, obtain their definite assent.

Where by the nature of the treaty it is desirable that it should be ratified on behalf of all the Governments of the Empire, the initiating Government may assume that a Government which has had full opportunity of indicating its attitude and has made no adverse comments will concur in the ratification of the treaty. In the case of a Government that prefers not to concur in the ratification of a treaty unless it has been signed by a plenipotentiary authorised to act on its behalf, it will advise the appointment of a plenipotentiary so to act.

Form of Treaty.

Some treaties begin with a list of the contracting countries and not with a list of Heads of States. In the case of treaties negotiated under the auspices of the League of Nations, adherence to the wording of the Annex to the Covenant for the purpose of describing the contracting party has led to the use in the preamble of the term "British Empire" with an enumeration of the Dominions and India if parties to the Convention, but without any mention of Great Britain and Northern Ireland and the Colonies and Protectorates. These are only included by virtue of their being covered by the term "British Empire." This practice, while suggesting that the Dominions and India are not on a footing of equality with Great Britain as participants in the treaties in question, tends to obscurity and misunderstanding and is generally unsatisfactory.

As a means of overcoming this difficulty it is recommended that all treaties (other than agreements between Governments), whether negotiated under the auspices of the League or not, should be made in the name of Heads of States, and, if the treaty is signed on behalf of any or all of the Governments of the Empire, the treaty should be made in the name of the King as the symbol of the special relationship between the different parts of the Empire. The British units on behalf of which the treaty is signed should be grouped together in the following order: Great Britain and Northern Ireland and all parts of the British Empire which are not separate members of the League, Canada, Australia, New Zealand, South Africa, Irish Free State, India. A specimen form of treaty as recommended is attached as an appendix to the Committee's Report.*

In the case of a treaty applying to only one part of the Empire it should be stated to be made by the King on behalf of that part.

The making of the treaty in the name of the King as the symbol of the special relationship between the different parts of the Empire will render superfluous the inclusion of any provision that its terms must not be regarded as regulating *inter se* the rights and obligations of the various territories on behalf of which it has been signed in the name of the King. In this connection it must be borne in mind that the question was discussed at the Arms Traffic Conference in 1925, and that the Legal Committee of that Conference laid it down that the principle to which the foregoing sentence gives expression underlies all international conventions.

* See p. 445.

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In the case of some international agreements the Governments of different parts of the Empire may be willing to apply between themselves some of the provisions as an administrative measure. In this case they should state the extent to which and the terms on which such provisions are to apply. Where international agreements are to be applied between different parts of the Empire, the form of a treaty between Heads of States should be avoided.

Full Powers.

The plenipotentiaries for the various British units should have Full Powers, issued in each case by the King on the advice of the Government concerned, indicating and corresponding to the part of the Empire for which they are to sign. It will frequently be found convenient, particularly where there are some parts of the Empire on which it is not contemplated that active obligations will be imposed, but where the position of the British subjects belonging to these parts will be affected, for such Government to advise the issue of Full Powers on their behalf to the plenipotentiary appointed to act on behalf of the Government or Governments mainly concerned. In other cases provision might be made for accession by other parts of the Empire at a later date.

Signature.

In the cases where the names of countries are appended to the signatures in a treaty, the different parts of the Empire should be designated in the same manner as is proposed in regard to the list of plenipotentiaries in the preamble to the treaty. The signatures of the plenipotentiaries of the various parts of the Empire should be grouped together in the same order as is proposed above.

The signature of a treaty on behalf of a part of the Empire should cover territories for which a mandate has been given to that part of the Empire, unless the contrary is stated at the time of the signature.

Coming into Force of Multilateral Treaties.

In general, treaties contain a ratification clause and a provision that the treaty will come into force on the deposit of a certain number of ratifications. The question has sometimes arisen in connection with treaties negotiated under the auspices of the League whether, for the purpose of making up the number of ratifications necessary to bring the treaty into force, ratifications on behalf of different parts of the Empire which are separate Members of the League should be counted as separate ratifications. In order to avoid any difficulty in future, it is recommended that, when it is thought necessary that a treaty should contain a clause of this character, it should take the form of a provision that the treaty should come into force when it has been ratified on behalf of so many separate Members of the League.

We think that some convenient opportunity should be taken of explaining to the other Members of the League the changes which it is desired to make in the form of treaties and the reasons for which they are desired. We would also recommend that the various Governments of the Empire should make it an instruction to their representatives at International Conferences to be held in future that they should use their best endeavours to secure that

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effect is given to the recommendations contained in the foregoing paragraphs.

(b) *Representation at International Conferences*

We also studied, in the light of the Resolution of the Imperial Conference of 1923 to which reference has already been made, the question of the representation of the different parts of the Empire at International Conferences. The conclusions which we reached may be summarised as follows :—

1. No difficulty arises as regards representation at conferences convened by, or under the auspices of, the League of Nations. In the case of such conferences all members of the League are invited, and if they attend are represented separately by separate delegations. Co-operation is ensured by the application of paragraph I.1. (c) of the Treaty Resolution of 1923.

2. As regards international conferences summoned by foreign Governments, no rule of universal application can be laid down, since the nature of the representation must, in part, depend on the form of invitation issued by the convening Government.

- (a) In conferences of a technical character, it is usual and always desirable that the different parts of the Empire should (if they wish to participate) be represented separately by separate delegations, and where necessary efforts should be made to secure invitations which will render such representation possible.
- (b) Conferences of a political character called by a foreign Government must be considered on the special circumstances of each individual case.

It is for each part of the Empire to decide whether its particular interests are so involved, especially having regard to the active obligations likely to be imposed by any resulting treaty, that it desires to be represented at the conference, or whether it is content to leave the negotiation in the hands of the part or parts of the Empire more directly concerned and to accept the result.

If a Government desires to participate in the conclusion of a treaty, the method by which representation will be secured is a matter to be arranged with the other Governments of the Empire in the light of the invitation which has been received.

Where more than one part of the Empire desires to be represented, three methods of representation are possible :—

- (i.) By means of a common plenipotentiary or plenipotentiaries, the issue of Full Powers to whom should be on the advice of all parts of the Empire participating.
- (ii.) By a single British Empire delegation composed of separate representatives of such parts of the Empire as are participating in the conference. This was the form of representation employed at the Washington Disarmament Conference of 1921.
- (iii.) By separate delegations representing each part of the Empire participating in the conference. If, as a result of consultation, this third method is desired, an effort must be made to ensure that the form of invitation from the convening Government will make this method of representation possible.

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Certain non-technical treaties should, from their nature, be concluded in a form which will render them binding upon all parts of the Empire, and for this purpose should be ratified with the concurrence of all the Governments. It is for each Government to decide to what extent its concurrence in the ratification will be facilitated by its participation in the conclusion of the treaty, as, for instance, by the appointment of a common plenipotentiary. Any question as to whether the nature of the treaty is such that its ratification should be concurred in by all parts of the Empire, is a matter for discussion and agreement between the Governments.

(c) *General Conduct of Foreign Policy*

We went on to examine the possibility of applying the principles underlying the Treaty Resolution of the 1923 Conference to matters arising in the conduct of foreign affairs generally. It was frankly recognised that in this sphere, as in the sphere of defence, the major share of responsibility rests now, and must for some time continue to rest, with His Majesty's Government in Great Britain. Nevertheless, practically all the Dominions are engaged to some extent, and some to a considerable extent, in the conduct of foreign relations, particularly those with foreign countries on their borders. A particular instance of this is the growing work in connection with the relations between Canada and the United States of America which has led to the necessity for the appointment of a Minister Plenipotentiary to represent the Canadian Government in Washington. We felt that the governing consideration underlying all discussions of this problem must be that neither Great Britain nor the Dominions could be committed to the acceptance of active obligations except with the definite assent of their own Governments. In the light of this governing consideration, the Committee agreed that the general principle expressed in relation to Treaty negotiations in Section V (a) of this Report, which is indeed already to a large extent in force, might usefully be adopted as a guide by the Governments concerned in future in all negotiations affecting foreign relations falling within their respective spheres.

(d) *Issue of Exequaturs to Foreign Consuls in the Dominions*

A question was raised with regard to the practice regarding the issue of exequaturs to Consuls in the Dominions. The general practice hitherto, in the case of all appointments of Consuls de Carrière in any part of the British Empire, has been that the foreign Government concerned notifies His Majesty's Government in Great Britain, through the diplomatic channel, of the proposed appointment and that, provided that it is clear that the person concerned is, in fact, a Consul de Carrière, steps have been taken, without further formality, for the issue of His Majesty's exequatur. In the case of Consuls other than those de Carrière, it has been customary for some time past to consult the Dominion Government concerned before the issue of the exequatur.

The Secretary of State for Foreign Affairs informed us that His Majesty's Government in Great Britain accepted the suggestion that in future any application by a foreign Government for the issue of an exequatur to any person who was to act as Consul in a Dominion should be referred to the

Imperial Conference :

Dominion Government concerned for consideration and that, if the Dominion Government agreed to the issue of the *exequatur*, it would be sent to them for counter-signature by a Dominion Minister. Instructions to this effect had indeed already been given.

(c) *Channel of Communication between Dominion Governments and Foreign Governments*

We took note of a development of special interest which had occurred since the Imperial Conference last met, viz., the appointment of a Minister Plenipotentiary to represent the interests of the Irish Free State in Washington, which was now about to be followed by the appointment of a diplomatic representative of Canada. We felt that most fruitful results could be anticipated from the co-operation of His Majesty's representatives in the United States of America, already initiated, and now further to be developed. In cases other than those where Dominion Ministers were accredited to the Heads of Foreign States, it was agreed to be very desirable that the existing diplomatic channels should continue to be used, as between the Dominion Governments and foreign Governments, in matters of general and political concern.

VI. SYSTEM OF COMMUNICATION AND CONSULTATION

Sessions of the Imperial Conference at which the Prime Ministers of Great Britain and of the Dominions are all able to be present cannot, from the nature of things, take place very frequently. The system of communication and consultation between Conferences becomes therefore of special importance. We reviewed the position now reached in this respect with special reference to the desirability of arranging that closer personal touch should be established between Great Britain and the Dominions, and the Dominions *inter se*. Such contact alone can convey an impression of the atmosphere in which official correspondence is conducted. Development, in this respect, seems particularly necessary in relation to matters of major importance in foreign affairs where expedition is often essential, and urgent decision necessary. A special aspect of the question of consultation which we considered was that concerning the representation of Great Britain in the Dominions. By reason of his constitutional position, as explained in section IV (b) of this Report, the Governor-General is no longer the representative of His Majesty's Government in Great Britain. There is no one therefore in the Dominion capitals in a position to represent with authority the views of His Majesty's Government in Great Britain.

We summed up our conclusions in the following Resolution, which is submitted for the consideration of the Conference :—

"The Governments represented at the Imperial Conference are impressed with the desirability of developing a system of personal contact, both in London and in the Dominion capitals, to supplement the present system of inter-communication and the reciprocal supply of information on affairs requiring joint consideration. The manner in which any new system is to be worked out is a matter for consideration and settlement between His Majesty's Governments in Great Britain

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and the Dominions, with due regard to the circumstances of each particular part of the Empire, it being understood that any new arrangements should be supplementary to, and not in replacement of, the system of direct communication from Government to Government and the special arrangements which have been in force since 1918 for communications between Prime Ministers."

VII. PARTICULAR ASPECTS OF FOREIGN RELATIONS DISCUSSED BY COMMITTEE

It was found convenient that certain aspects of foreign relations on matters outstanding at the time of the Conference should be referred to us, since they could be considered in greater detail, and more informally, than at meetings of the full Conference.

(a) *Compulsory Arbitration in International Disputes*

One question which we studied was that of arbitration in international disputes, with special reference to the question of acceptance of Article 36 of the Statute of the Permanent Court of International Justice, providing for the compulsory submission of certain classes of cases to the Court. On this matter we decided to submit no Resolution to the Conference, but, whilst the members of the Committee were unanimous in favouring the widest possible extension of the method of arbitration for the settlement of international disputes, the feeling was that it was at present premature to accept the obligations under the Article in question. A general understanding was reached that none of the Governments represented at the Imperial Conference would take any action in the direction of the acceptance of the compulsory jurisdiction of the Permanent Court, without bringing up the matter for further discussion.

(b) *Adherence of the United States of America to the Protocol establishing the Permanent Court of International Justice*

Connected with the question last mentioned, was that of adherence of the United States of America to the Protocol establishing the Permanent Court of International Justice.

The special conditions upon which the United States desired to become a party to the Protocol had been discussed at a special Conference held in Geneva in September 1926, to which all the Governments represented at the Imperial Conference had sent representatives. We ascertained that each of these Governments was in accord with the conclusions reached by the special Conference and with the action which that Conference recommended.

(c) *The Policy of Locarno*

The Imperial Conference was fortunate in meeting at a time just after the ratifications of the Locarno Treaty of Mutual Guarantee had been exchanged on the entry of Germany into the League of Nations. It was therefore possible to envisage the results which the Locarno Policy had achieved already, and to forecast to some extent the further results which

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it was hoped to secure. These were explained and discussed. It then became clear that, from the standpoint of all the Dominions and of India, there was complete approval of the manner in which the negotiations had been conducted and brought to so successful a conclusion.

Our final and unanimous conclusion was to recommend to the Conference the adoption of the following Resolution :—

“The Conference has heard with satisfaction the statement of the Secretary of State for Foreign Affairs with regard to the efforts made to ensure peace in Europe, culminating in the agreements of Locarno ; and congratulates His Majesty's Government in Great Britain on its share in this successful contribution towards the promotion of the peace of the world.”

Signed on behalf of the Committee,
BALFOUR, *Chairman*.

November 18, 1926.

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APPENDIX

(See Section V (a).)

SPECIMEN FORM OF TREATY.

The President of the United States of America, His Majesty the King of the Belgians, His Majesty the King [*bene insert His Majesty's full title*], His Majesty the King of Bulgaria, etc., etc.

Desiring

Have resolved to conclude a treaty for that purpose and to that end have appointed as their Plenipotentiaries :

The President

His Majesty the King [*title as above*] :

for Great Britain and Northern Ireland and all parts of the British Empire which are not separate Members of the League (of Nations),

AB.

for the Dominion of Canada,

CD.

for the Commonwealth of Australia,

EF.

for the Dominion of New Zealand,

GH.

for the Union of South Africa,

IJ.

for the Irish Free State,

KL.

for India,

MN.

who, having communicated their full powers, found in good and due form, have agreed as follows :

In faith whereof the above-named Plenipotentiaries have signed the present Treaty.

AB.

CD.

EF.

GH.

IJ.

KL.

MN.

(or if the territory for which each Plenipotentiary signs is to be specified :

(for Great Britain, etc.)..... *AB.*

(for Canada) *CD.*

(for Australia) *EF.*

(for New Zealand) *GH.*

(for South Africa) *IJ.*

(for the Irish Free State) *KL.*

(for India) *MN.*

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